

***King Slide***<sup>®</sup>

**King Slide Works Co., Ltd.**

2021 Annual Report

Taiwan Stock Exchange Market Observation Post System:

<https://mops.twse.com.tw>

King Slide Annual Report is available at: <https://www.kingslide.com>

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This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.

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Spokesperson: Wang Chun Chiang (Executive Vice President)

Deputy spokesperson: Cai Qiu-Zhen (Audit Manager)

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**V. Overseas listings and the listing information: none****VI. Company website: [www.kingslide.com](http://www.kingslide.com)**

## **Table of Contents**

|   | <u>Pages</u> |
|---|--------------|
| <b>One. Letter to Shareholders.....</b>   | <b>1</b>     |
| <br><b>Two. Company Profile</b>   |              |
| I. Date of incorporation .....  | 5            |
| II. Company history .....   | 5            |
| <br><b>Three. Corporate Governance Report</b>   |              |
| I. Organization .....   | 9            |
| II. Directors, president, vice president, assistant vice president, and management team.....  | 15           |
| III. Remuneration of directors, supervisors, president, and vice president in the most recent<br>fiscal year .....  | 29           |
| IV. Implementation of corporate governance.....   | 36           |
| V. Information on CPA professional fee .....  | 78           |
| VI. Replacement of CPA.....   | 79           |
| VII. The Company's chairman, president, or any manager in charge of financial or<br>accounting matters has held a position at the accounting firm of its CPA or at any<br>affiliated enterprises of such accounting firm in the most recent fiscal year ..... | 80           |
| VIII. Any transfer of shares or change of pledged shares of the directors, supervisors,<br>managers, or any shareholder with a shareholding more than 10% during<br>the most recent fiscal year and up to the publication date of the annual report.....      | 80           |
| IX. Top-10 shareholders who are a related party, spouse, or relative within the second<br>degree of kinship of another .....  | 83           |
| X. The total number of shares and total equity stake of any re-invested enterprises held by<br>the Company, its directors, supervisors, managers, and any entities controlled either<br>directly or indirectly by the Company .....                           | 85           |
| <br><b>Four. Capital</b>  |              |
| I. Capital and shares .....   | 86           |
| II. Corporate bonds issuance .....  | 93           |

|  | <u>Pages</u> |
|--|--------------|
| III. Preferred shares issuance.....  | 93           |
| IV. Issuance of global depository receipts .....                           | 93           |
| V. Issuance of employee stock options.....                                 | 93           |
| VI. Issuance of new shares in connection with mergers or acquisitions..... | 93           |
| VII. Implementation of capital allocation plans .....                      | 93           |

## **Five. Business Overview**

|  |     |
|--|-----|
| I. Business scope .....                              | 94  |
| II. Market analysis and production & marketing ..... | 102 |
| III. Human resource .....                            | 114 |
| IV. Disbursements for environmental protection ..... | 114 |
| V. Labor relations .....                             | 116 |
| VI. Cyber Security Management .....                  | 118 |
| VII. Important contracts .....                       | 120 |

## **Six. Financial overview**

|   |     |
|---|-----|
| I. Five-year financial summary .....  | 121 |
| II. Five-year financial analysis .....  | 126 |
| III. Supervisors' or audit committee's report for the most recent year's financial statement ...  | 130 |
| IV. Financial statement for the most recent fiscal year.....  | 130 |
| V. Certified financial statement for the most recent fiscal year.....   | 130 |
| VI. Financial difficulties experienced by the Company and its subsidiaries during the most recent fiscal year and the current fiscal year up to the publication date of the annual report and impacts to the financials ..... | 130 |

## **Seven. Review of financial conditions, operating results, and risk management**

|  |     |
|--|-----|
| I. Analysis of financial status.....   | 131 |
| II. Analysis of financial performance .....  | 133 |
| III. Analysis of cash flow .....   | 133 |
| IV. Major capital expenditure in the last year and its impacts to financials and business..... | 134 |



|   | <u>Pages</u> |
|---|--------------|
| V. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the coming year..... | 134          |
| VI. Risk analysis .....   | 136          |
| VII. Other important matters .....  | 139          |

#### **Eight: Other Special Notes**

|  |     |
|--|-----|
| I. Subsidiary companies.....   | 140 |
| II. Private placement of securities during the most recent fiscal year and the current fiscal year up to the publication date of the annual report. Use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan..... | 142 |
| III. Shares in the Company Held or Disposed of by Subsidiaries during the most recent fiscal year and the current fiscal year up to the publication date of the annual report .....  | 143 |
| IV. Other important supplementary information .....  | 143 |
| V. Events occurred during the most recent fiscal year and the current fiscal year up to the publication date of the annual report, which significantly affect shareholders' equity or price of shares pursuant to Paragraph 3.2 of Article 36 of the Securities and Exchange Act.....                                    | 143 |

## One. Letter to Shareholders

**Dear shareholders,**

The consolidated revenue and net operating profit in 2021 have increased by 32.09% and 38.65% from 2020, respectively. Due to currency appreciation, the Company incurred a foreign exchange loss of NT\$178,697 thousand in the current year with after-tax EPS NT\$21.75. Looking at the operating performance in 2021, our revenue and profit did not decline due to the impacts of unfavorable factors including the appreciation of the New Taiwan Dollar and the continuous sharp increase in the price of raw materials; instead, we doubled the growth where the growth rate of operating net profit was higher than the revenue growth. The record-breaking high performance was mainly due to the launch of new products has gradually revealed a positive effect on revenue and profits. The intelligent plant and production line planned for many years is now expected to be officially put into mass production in July 2022. With the continuous introduction of new products, we believe the future growth is worth looking forward to and can be expected to bring a more brilliant operational performance to shareholders in the near future. We are hereby reporting 2021 business result and 2022 outlook.

### I. 2021 business result:

#### 1. Business plan implementation results:

Unit: NT\$ Thousand

| Item                   | 2021      | 2020      | Increase or decrease in amount | Change in ratio (%) |
|------------------------|-----------|-----------|--------------------------------|---------------------|
| Operating revenue      | 6,341,989 | 4,801,405 | 1,540,584                      | 32.09               |
| Profit from operations | 2,719,682 | 1,961,609 | 758,073                        | 38.65               |
| Net profit             | 2,072,520 | 1,164,589 | 907,931                        | 77.96               |

#### 2. Implementation of budget:

The 2021 financial forecast was not disclosed, so there is no budget achievement.

#### 3. Financial revenue and expense and profitability analysis:

| Item                    |   | 2021   | 2020   |
|-------------------------|---|--------|--------|
| Financial structure (%) | Ratio of liabilities to assets                                | 18.33  | 16.85  |
|                         | Ratio of long term funding to property, plants, and equipment | 562.33 | 635.66 |
| Solvency (%)            | Current ratio   | 723.46 | 799.32 |
|                         | Quick ratio   | 666.72 | 762.98 |

| Item              |  | 2021   | 2020   |
|-------------------|--|--------|--------|
|                   | Times interest earned ratio                          | 266.06 | 136.66 |
| Profitability (%) | Ratio of return on total assets                      | 14.44  | 8.99   |
|                   | Ratio of return on shareholders' equity              | 17.47  | 10.66  |
|                   | Ratio of profit before income tax to paid-in capital | 272.38 | 161.82 |
|                   | Profit ratio   | 32.67  | 24.25  |
|                   | Earnings per share (NT\$)                            | 21.75  | 12.22  |

#### 4. Research development status:

The company's R&D expenditure in 2021 was NT\$234,628 thousand; main development status is as follows:

- (1) In response to the planning of the new generation, R&D continues to develop new slide rail kit products to be applied in standard and open rack cabinets, or other special cabinets. R&D studies all aspects of the product and considers all users in each stage, from early design to the end-users, then consolidates and evaluates product functionality, convenience, and safety. The goal is to create more diversified and efficient products under the restriction of limited spaces, this applies to slide rail kits, cable management and other products. This is also the direction for future product development in order to develop products that match the market needs.
  
- (2) Regarding the channel market, high-end slides, and hinges, since a series of products have already been developed, the Company is currently gathering more application insights for the existing standard products in order to build a more comprehensive product line to meet the demands of the new modern styles. Meanwhile, the Company actively use the insights collected to develop products with functional features of convenience and safety that appeal to users. This will also enhance the Company's competitiveness and value in the markets for high-end kitchen, office cabinets, toolbox, medical care, and smart home. In response to higher production needs, we have actively developed and introduced more advanced automated and intelligent manufacturing equipment to achieve smart production, thereby enabling the Company to achieve a low-cost, high-efficiency, and high-quality production conditions for all its products.

## II. 2022 business plan

(I) Business policy

In line with the long-term business policy of continuous recruitment and training of management, marketing, and R&D talents, the Company is committed to strengthening the management team and talents to become the Company's most important assets. Other important principles are as follows:

1. The complete R&D and industrial layout of the Rail Kit product line developed in line with cloud computing requirements.
2. The complete R&D and industrial layout of the kitchen Rail Kit product line for household consumption needs.
3. The complete R&D and industrial layout of the consumer product line for personal consumption needs.
4. The introduction of intelligent production technology to improve business management performance.
5. The establishment of global flexible production bases to meet the needs of customers in different markets.

(II) Sales forecast and the basis

Based on the past volume, current orders, market demands, etc., the Company's sales forecast for 2022 is as follows:

| Product   | Unit           | Shipment forecast |
|-----------|----------------|-------------------|
| Rail Kits | thousand sets  | 17,286            |
| Slides    | thousand sets  | 257               |
| Hinge     | thousand units | 3,935             |

(III) Important production and sales policies

1. Production policy

We are aiming to rationalize the production procedures with intellectual production management system by phasing in lean manufacturing, cutting down production and warehousing costs. Low added value products will be outsourced as a whole or outsourced for processing to increase the Company's product value.

2. Sales policy

- (1) We will continue to win orders from international and domestic sellers of computer servers, networking and communication equipment, as well as cloud data service providers, adopting a new-product-driven sales approach to gain market share.
- (2) We will leverage the current brand recognition to promote both our mature lines to international server cabinet suppliers, and the newly developed high-end kitchen lines to the international sellers of system furniture, channel partners and medical

equipment. The goal is to build a global sales network and establish King Slide's brand globally.

- (3) We will establish global distribution channels with local outlets to offer total solutions to customers through our complete product lines.

### **III. Future development strategies**

- (I) Our short to mid-term strategy is to increase the market share of our rail kits in the computer server market and cloud data centers, and further promote the use of King Slide's rail kit in the peripheral products of these fields.
- (II) In the long term, we aim to develop functional products that brings a more convenient life and are applicable to a wide variety of industries, in order to increase market share and build customer loyalty.
- (III) We will set up global warehouses and sales bases gradually and establish global flexible production bases to shorten the delivery period and win orders from the market of consumer products.

### **IV. Impacts of external competition, the legal environment, and the overall business environment**

Our ultimate goal is to maximize shareholders' interests. The industry we are engaged in is still at the growing stage, we will make necessary adjustments along with any changes in the industry environment and regulations in the future. Since incorporation, we have actively pursued innovation and business transformation to strengthen our competitiveness, and held a more cautious and conservative attitude in response to the changing environment. In addition to strictly implementing cost-saving and expense cutting strategy, we have invested more funds and resources to expand our markets in different industries in order to strengthen the popularity of the "King Slide" brand in the world. Because of the geopolitical risks, we also actively seek to establish production bases or partners in different regional networks and actively implement the promotion of ESG policies under the sustainable management policies, in order to achieve better business performance in the future.

Lastly, we would like to show our appreciation to our shareholders for their long-term supports with the highest gratitude. Thank you!

Best Wishes, Chairman: Lin Tsung-Chi

President: Lin Shu-Chen

## **Two. Company Profile**

**I. Date of incorporation:** September 22, 1986

**II. Company history:**

- 1986 Company registration approved by The Ministry of Economic Affairs.  
Total paid-in capital was NT\$ 10 million.  
Acquired factory land of 8,986 m<sup>2</sup> and building approval.
- 1987 Capital increased by cash of NT\$ 30 million. Total paid-in capital reached NT\$ 40 million.
- 1988 Factory floor area expanded to 15,281 m<sup>2</sup> with building approval. Mass production of slides began.
- 1992 Factory floor area expanded to 23,094 m<sup>2</sup>. Completed building of the 2<sup>nd</sup> phase plant and factory.
- 1994 Factory floor area expanded to 25,165 m<sup>2</sup>  
Capital increased by cash of NT\$ 55 million. Total paid-in capital reached NT\$ 95 million.  
Acquired two premises of 360.41 m<sup>2</sup> in Taichung for establishing the local office.
- 1995 Obtained ISO9001 certificate.  
Acquired premises of 388.69 m<sup>2</sup> in Taipei for establishing the local office.
- 1996 Completed building of the 3<sup>rd</sup> phase automated warehousing facilities and added automated production lines for hinges.
- 1998 Converted NT\$ 63 million from additional paid-in capital to new shares. Total paid-in capital reached NT\$ 158 million.
- 1999 Invested building of the 4<sup>th</sup> phase plant and factory and added automated production lines for ball bearing slides.  
Obtained ISO14001 certificate.  
Converted NT\$ 30 million from retained earnings to new shares. Total paid-in capital reached NT\$ 188 million.  
Several patents were awarded for NB hinge development initiated for business transformation.
- 2000 The Number of board directors increased to five from three, with the addition of Lin Tsung-Chi from Hai Hu Investment Inc., Lin Tsung-Lung from Long Shen Investment Inc. and Lin Xin-Hong and Lin Chen Jin-Feng from Hong-Yi Investment Inc. to strengthen the business

management.

Completed the supplemental public issuance through the approval letter Tai Cai Zheng (I)# 60236 from Securities and Futures Institute in 2000. Converted NT\$ 56.4 million from retained earnings to new shares with additional capital increased by cash of NT\$ 135.6 million. Total paid-in capital reached NT\$ 380 million.

Several patents were awarded for server Rail kits and associated components during our transformation to 3C industry.

2001 Received trial orders of servers from Compaq. Bulk orders received subsequently.

2002 A new supervisor, Ms. Lin Jhang A-Jhu joined the board operation. Received certificate and passed testing from various major international server sellers and makers.

2003 Converted NT\$ 6.84 million from retained earnings and NT\$ 0.76 million from employee bonus to new shares. Total paid-in capital reached NT\$ 387.6 million.

Supervisor Ms. Hsu Jing-Chi was replaced by Ms. Lin Shu-Juan.

Successfully developed the rail kit for 1U-7U rack server and its related components.

Start mass production for multiple major international server suppliers.

Invested building of the 5<sup>th</sup> phase plant and factory for expanding production capacity for Rail kits.

Obtained product certification and test pass from many international server manufacturers and server foundries.

2004 Introduced independent directors and supervisors, and changed company name to King Slide Works Co., Ltd.

Introduced external corporate shareholders, and filed our stock for TPEx trading.

2005 Supervisor Ms. Lin Shu-Juan was replaced by Mr. Wu Ming-Zhen and Mr. Xie Jin-Zhong, representatives of Yin Li Investment Inc.

Started TPEx listing.

Converted NT\$ 155.04 million from retained earnings and NT\$ 11.64 million from employee bonus to new shares. Total paid-in capital reached NT\$ 554.28 million.

2006 Received certificate from server supplier DELL.

Converted NT\$ 110,856,000 from retained earnings and NT\$ 6,064,000

- from employee bonus to new shares. Total paid-in capital reached NT\$ 671,200,000.
- Representative from Hong-Yi Investment Inc. changed to Mr. Wang Chun-Zhi.
- Established the U.S. subsidiary, King Slide USA, Inc.
- Established a subsidiary, King Slide Technology Co., Ltd.
- 2007 Issued the first domestic unsecured convertible bonds of NT\$ 980 million.
- Start mass production for DELL.
- Converted NT\$ 67.12 million from retained earnings and NT\$ 5 million from employee bonus to new shares. Total paid-in capital reached NT\$ 743.32 million.
- New shares issued for bond conversion of NT\$ 442,470. Total paid-in capital reached NT\$ 743,762,470.
- 2008 Established a subsidiary, King Slide (Samoa) Co., Ltd.
- Established a second-tier subsidiary, King Slide (Hong Kong) Co., Limited.
- Representative from Hong-Yi Investment Inc. changed to Mr. Chiu Yen-Chih.
- Started TAIEX listing
- Established a third-tier subsidiary, King Slide Technology (China) Co.,Ltd.
- Converted NT\$ 37,188,120 from retained earnings and NT\$ 4,090,000 from employee bonus to new shares. Total paid-in capital reached NT\$ 785,040,590.
- 2009 Obtained OHSAS 18001 certificate.
- Converted NT\$ 78,504,060 from retained earnings and NT\$ 6,678,080 from employee bonus to new shares. Total paid-in capital reached NT\$ 870,222,730.
- Received “Branding Taiwan” from The Ministry of Economic Affairs.
- Issued the 2nd domestic unsecured convertible bonds of NT\$ 500 million.
- New shares issued for bond conversion of NT\$ 1,163,150. Total paid-in capital reached NT\$ 871,385,880.
- 2010 New shares issued for bond conversion of NT\$ 2,483,900. Total paid-in capital reached NT\$ 873,869,780.



Converted NT\$ 43,866,750 from retained earnings and NT\$ 3,465,300 from bond conversion to new shares. Total paid-in capital reached NT\$ 921,201,830.

Received Kitchen Gold Award in 2010 The Kitchen & Bath Industry Show (KBIS), North America's largest trade show dedicated to all aspects of kitchen and bath design.

Received Challengers Award in 2010 International Woodworking Fair (IWF).

2011 Established Remuneration Committee.

Received the 19<sup>th</sup> Taiwan Excellence Award (1A88).

2012 New shares issued for bond conversion of NT\$ 2,017,440. Total paid-in capital reached NT\$ 923,219,270.

2013 Received the 21<sup>st</sup> Taiwan Excellence Award (AE89).

New shares issued for bond conversion of NT\$ 23,357,630. Total paid-in capital reached NT\$ 946,576,900.

King Slide Technology Co., Ltd. was granted Authorized Economic Operator (AEO) status.

2014 New shares issued for bond conversion of NT\$ 6,393,820. Total paid-in capital reached NT\$ 952,970,720.

2015 Named Forbes Asia's 200 Best Under A Billion 2015.

2016 Received the 24<sup>st</sup> Taiwan Excellence Award (3M51A).

2019 Received 2019 Taiwan Excellence Award (Adjustable Concealed Soft-Close Hinges).

Received 2019 Taiwan Excellence Silver Award (SIMLEAD Metal Drawer System).

Obtained IECQ QC080000 certificate.

King Slide Technology (China) Co.,Ltd established a subsidiary, King Slide Technology (Shenzhen) Co., Ltd.

2020 Received 2020 Taiwan Excellence Award (ULead Silent Soft-closing Undermount Slides) 1J Series.

Authorized Economic Operator (AEO) status was granted.

Migrated from OHSAS 18001 to ISO45001.

2021 Received 2021 Taiwan Excellence Award ( SIMLEAD Wood Drawer System ).

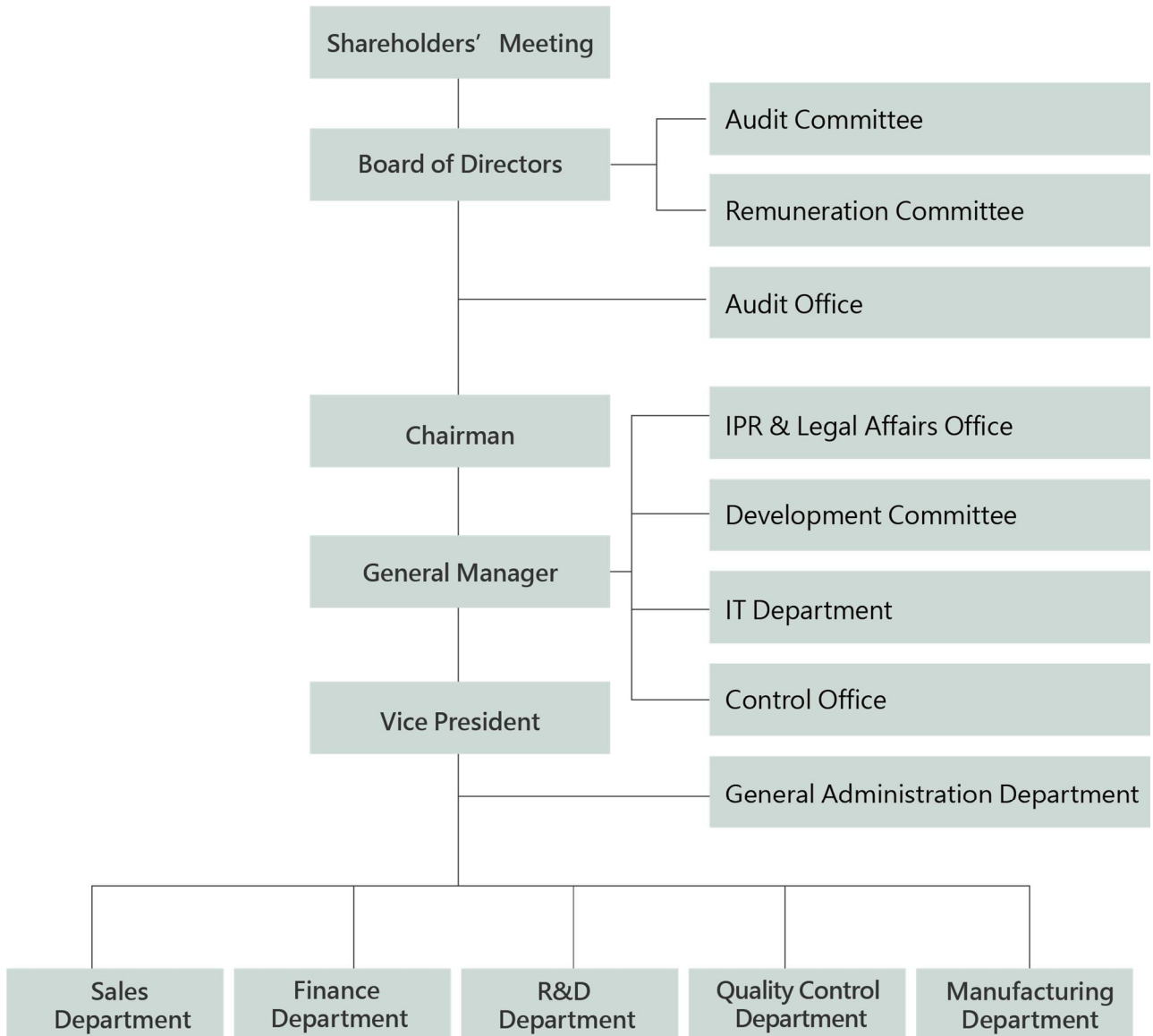
Passed the TIPS Taiwan Intellectual Property Management Standard Verification.

## Three. Corporate Governance Report

### I. Organization

#### (I) Organization

March 31 ,2022



## (II) Divisional function

|   |
|---|
| <b>(1) Remuneration Committee</b>   |
| Formulate and review the policy, system, standard and structure of performance evaluation and remuneration for directors, supervisors, and managers, as well as evaluate their overall remuneration on a regular basis.   |
| <b>(2) Internal Audit</b>   |
| <ol style="list-style-type: none"><li>1. Implement internal audit work on the company and any of its subsidiaries.</li><li>2. Examine and evaluate the implementations of internal control in the parent and subsidiary companies.</li><li>3. Supervise and review the self-assessment procedures in the parent and subsidiary companies.</li></ol>   |
| <b>(3) General Manager Office (IPR&amp;Legal Affairs Office, Development Committee, IT Department, and Document Control Office )</b>  |
| <ol style="list-style-type: none"><li>1. Business planning and initiation, including existing operation, transformation plan and future operation strategies, and implementation supervision.</li><li>2. Goal setting, policy planning and implementation supervision.</li><li>3. Review the annual operation plan and budget preparation of each department and monitor the execution.</li><li>4. Review of the management systems, ISO system, and the Nine Cycle system, and implementation supervision.</li><li>5. Special project planning and execution.</li><li>6. Information management system and its annual plan setting, initiation and implementation .</li><li>7. Safety management system and its annual plan setting, initiation and implementation.</li><li>8. Global strategies integration</li><li>9. Business investment planning and execution.</li><li>10. Feasibility assessing and planning of diversifying operation</li><li>11. Business document application, review, filing, publication and management.</li><li>12. Promote related ISO system and obtain the related certificate as well as followed-up maintenance.</li><li>13. Lead and coordinate operations in individual department or among departments to achieve the Company goal . .</li><li>14. Set, revise and implement the rules regarding the operation under the management information system environment.</li><li>15. Formulate, revise, train and execute ISO system and the president's office procedure book.</li><li>16. Human resource planning for the president's office and all other departments.</li><li>17. Performance evaluation for the president's office and all other departments.</li><li>18. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary.</li><li>19. Complete items resolved by the Board Meeting.</li><li>20. Special and investment projects evaluation and review.</li><li>21. Patent application.</li><li>22. Global staffing planning</li><li>23. Make suggestions on the related policies proposed by the members in the employee safety and health committee, and review and coordinate the relevant policies.</li></ol> |
| <b>(4) General Management Office</b>  |
| <ol style="list-style-type: none"><li>1. Formulate, revise, train, and execute organization discipline, personnel system, work rules, and employment contract.</li><li>2. Perform administrative work, including employee recruiting, appraising, promoting,</li></ol>  |

|   |
|---|
| <p>resigning, rewarding, etc.</p> <ol style="list-style-type: none"> <li>Employee's salary, benefit, reward, punishment, and discipline system formulating, revising, training, and executing.</li> <li>Employee training program planning and execution</li> <li>Administrative work planning, amending, training, and execution.</li> <li>Equipment, raw materials, repairing service procurements.</li> <li>Formulate, revise, train and execute payroll and personnel cycle, procurement and payment cycle and PP&amp;E cycle.</li> <li>Human resource planning inside the general management office.</li> <li>Performance evaluation inside the department</li> <li>Formulate the annual operation plan and budget preparation, execute accordingly by each month. Analyze and make corrective actions when necessary</li> <li>Make suggestions on the related policies proposed by the members in the employee safety and health committee, and review and coordinate the relevant policies.</li> <li>Achieve the business targets guided by the strategies and guidelines set by the Company.</li> <li>Complete ad hoc projects from upper managers.</li> </ol>  |
| <p><b>(5) Sales Department</b></p> <ol style="list-style-type: none"> <li>Marketing and selling strategy planning and execution.</li> <li>Market research planning and execution.</li> <li>Selling channel planning and expansion.</li> <li>Collect the information of the market potential products and analyze the feasibility of development of such products</li> <li>Pricing strategy planning and execution</li> <li>Aftermarket service planning and execution</li> <li>Customer complaint collection, feedback sending and replying, and coordinating with the QA department.</li> <li>Planning and executing selling and marketing strategies on the different stages of each products.</li> <li>Trade show trip planning and implementation.</li> <li>Achieve the business targets guided by the strategies and guidelines set by the Company.</li> <li>Internal departmental coordination, collaboration and communication.</li> <li>Formulate and revise procedure books and measures for ISO systems that are related to the Sales Department and hold related training programs to facilitate actual execution.</li> <li>Formulate, revise, train and execute sales and collection cycle.</li> <li>Human resource planning inside the department.</li> <li>Performance evaluation inside the department.</li> <li>Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary.</li> <li>Complete ad hoc projects from upper managers.</li> </ol> |
| <p><b>(6) Finance Department</b></p> <ol style="list-style-type: none"> <li>Financing planning</li> <li>Capital management</li> <li>Credit checking and management</li> <li>Formulating, revising, training and executing accounting policies</li> <li>Formulating, revising, training, and executing the budget planning policies, and assisting other departments with budget preparation.</li> <li>Formulating and controlling operating costs</li> </ol>  |

7. Preparing and analyzing financial statements monthly.
8. Responsible for budget compiling and budgetary control, and comparing and analyzing actual spending with budget plan from each department monthly. The analysis will be further used for decision making.
9. Publishing and filing for financial information and tax reports.
10. Correcting any abnormality found from accounting data or audit unit, and reporting to the upper management when necessary.
11. Achieving business targets guided by the strategies and guidelines set by the Company.
12. Internal departmental coordination, collaboration and communication.
13. Formulating and revising procedure books and measures for ISO systems that are related to the Finance Department and holding related training programs to facilitate actual execution.
14. Formulating, revising, training and executing sales and collection cycle, procurement and payment cycle, financing cycle and PP&E cycle .
15. Human resource planning inside the department
16. Performance evaluation inside the department
17. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
18. Complete ad hoc projects from upper managers.

#### (7) Research & Development Department

1. Formulating and executing development plans on new materials, technologies and products.
2. Improving existing products' quality, functionality and cost structure.
3. Competing product studies.
4. Formulating and executing development plans on new molds and jigs.
5. Formulating and executing development plans on new facilities and tools.
6. Formulating and operating product value analysis and value engineering.
7. Compiling and analyzing information of new material, products, molds and jigs, and automated equipments.
8. Formulating, executing and following up major design changes on products, molds and jigs, and production facilities.
9. Compiling, numbering, filing, issuing, and managing technical data, associated drawings, and design specification.
10. Reviewing production technology and capability of the contractors and vendors of product parts and mold/component processing
11. Advising quality control and manufacturing technology
12. Advising and assisting facility assembling, quality issues, trial run and maintenance .
13. Technology support and training for overseas investees.
14. Achieving business targets guided by the strategies and guidelines set by the Company.
15. Internal departmental coordination, collaboration and communication.
16. Formulating and revising procedure books and measures for ISO systems that are related to the R&D Department and holding related training programs to facilitate actual execution.
17. Formulating, revising, training and executing R&D cycle
18. Human resource planning inside the department.
19. Performance evaluation inside the department.
20. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
21. Complete ad hoc projects from upper managers.

#### (8) Quality Assurance Department

1. Incoming quality control, data recording and analyzing, and improvement assurance.
2. Recording and analyzing defect rate and monitoring the improvement progress held by the Manufacturing Department.
3. Defect product examination and correction.
4. Cost of quality management, including cost analyzing, countermeasures formulating and precautions executing .
5. Formulating, training, executing, reviewing, and following up of the quality controlling procedures and standards for the R&D or client requirement.
6. Formulating the production capacity analysis.
7. Evaluating, assisting and managing the production capacity and quality of contractors.
8. Promoting, training, reviewing and monitoring TQC and quality control circle.
9. Quality abnormality handling and shipment quality assurance
10. Customer complaint handling, cause analyzing, the prevention strategy setting, feedback to the Customer Service Division assuring and case filing tracking.
11. Formulate and analyze the standards of the product and R&D reliability testing. Perform and examine NG and GO numerical analysis and give feedback to relevant working units, and be responsible for test records filing.
12. Plan and formulate the prevention policies of the cost of quality.
13. Set quality goal for the Company
14. Formulate, train and monitor quality checking plans for all staff with audit result tracking.
15. The comparison analysis of the function, life, and quality of the peer products with feedback to the R&D and Sales department, and being responsible for test records filing.
16. Incoming material inspection executing and the quality counseling for the subcontractors.
17. Formulate, train, execute, and follow up the plan of enhancing product quality to decrease defect rate, customer returns and complaints, and inspection cost
18. Equipment and tools management and operation training with audit result tracking.
19. Achieve business targets guided by the strategies and guidelines set by the Company.
20. Internal departmental coordination, collaboration and communication.
21. Formulate and revise procedure books and measures for ISO systems that are related to the Quality Assurance Department and hold related training programs to facilitate actual execution.
22. Making suggestions on the related policies proposed by the members in the employee safety and health committee, and review and coordinate the relevant policies.
23. Human resource planning inside the department.
24. Performance evaluation inside the department.
25. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
26. Complete ad hoc projects from upper managers.

#### **(9) Manufacturing Department**

1. Formulate and execute production management system
2. Formulate, execute and monitor the production schedules
3. Analyze the load of internal Production capacity and make reasonable adjustment of outsourcing to balance the capacity.
4. Material requirementsanalyzing
5. Material and finished goods warehousing and shipping
6. Formulate efficient production method to meet the demands of quality, cost, quantity, and shipping date.
7. Voluntarily review deficiencies found during production, brainstorm corrective

- methods, and implement accordingly.
8. Whole factory and whole production line planning and improvement
  9. Production system process planning and execution
  10. TPM planning, promoting, supervision and execution.
  11. 5S Initiatives planning, promoting, supervision and execution.
  12. Safeguarding and filling in the production records and statistics reports.
  13. Plan and promote major construction projects related to manufacturing.
  14. Production floor planning and facility arranging to achieve production plan efficiently.
  15. Formulate, execute and manage the maintenance schedules of production equipment, molds and jigs.
  16. Achieve annual quality plans and goals
  17. Execute the inspection control during the production from work-in-process to finished goods, analyze the monthly reports, and follow up and confirm any improvement.
  18. Promote work safety and event prevention.
  19. Achieve business targets guided by the strategies and guidelines set by the Company.
  20. Internal departmental coordination, collaboration and communication.
  21. Formulate and revise procedure books and measures for ISO systems that are related to the Production Department and hold related training programs to facilitate actual execution.
  22. Make suggestions on the related policies proposed by the members in the employee safety and health committee, review and coordinate the relevant policies.
  23. Formulate, revise, train and execute production cycle and the related measures.
  24. Human resource planning inside the department.
  25. Performance evaluation inside the department.
  26. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
  27. Execute and oversee the environmental protection policy to meet the associated regulations and laws.
  28. Complete ad hoc projects from upper managers.

## II. Directors, President, Vice President, Assistant Vice President, and Management Team

### (I) Board of directors

#### 1. Board members information

As of 05/01/2021; Unit: One share

| Title    | Nationality or Place of registration | Name   | Gender Age | Date Elected | Term    | Date First Elected | Shareholding When Elected |       | Current Shareholding |       | Spouse & Minor Shareholding |       | Shareholding by Nominee Arrangement |   | Selected Education and Experience  | Selected Current Positions at the Company and Other Companies  | Other Executives, Directors or Supervisors who are spouses or within two degrees of kinship |   |   | Remark |
|----------|--------------------------------------|--|------------|--------------|---------|--------------------|---------------------------|-------|----------------------|-------|-----------------------------|-------|-------------------------------------|---|--|--|---|---|---|--------|
|          |                                      |  |            |              |         |                    | shares                    | %     | shares               | %     | shares                      | %     | shares                              | % |  |  | Title   | Name  | Relationship  |        |
| Chairman | Republic of China                    | Lin Tsung-Chi  | Male 81~90 | 07/30/2021   | 3 years | 09/22/1986         | 8,260,121                 | 8.67% | 8,260,121            | 8.67% | 1,961,551                   | 2.06% | —                                   | — | Dahu Elementary School<br>Chairman of Hu Lin Enterprise Co., Ltd.<br>President of King Slide Works Co., Ltd.<br>Chairman of King Slide Works Co., Ltd.   | Chairman of King Slide USA, Inc.<br>Chairman of King Slide Technology Co., Ltd.  | Director<br>President<br>Director and Executive Vice President                              | Lin Tsung-Lung<br>Lin Shu-Chen<br>Wang Chun-Chiang<br>Lin Jhang A-Jhu | Father and son<br>Father and daughter<br>In-laws<br>In-laws | Note   |
| Director | Republic of China                    | Long Shen Investment Inc. Representative: Lin Tsung-Lung | Male 51~60 | 07/30/2021   | 3 years | 06/15/2000         | 6,232,767                 | 6.54% | 6,232,767            | 6.54% | —                           | —     | —                                   | — | Dept. of Mechanical Engineering, Southern Taiwan University of Science and Technology<br>Factory Manager of Hu Lin Enterprise Co., Ltd.<br>Vice president of King Slide Works Co., Ltd.<br>Chairman of Long Shen Investment Inc.   | Chairman of Chuan Hai Investment Inc.  | Chairman<br>President<br>Director and Executive Vice President                              | Lin Tsung-Chi<br>Lin Shu-Chen<br>Wang Chun-Chiang                     | Father and son<br>Siblings<br>In-laws                       | None   |
|          |                                      |  |            |              |         |                    | 2,544,790                 | 2.67% | 2,544,790            | 2.67% | 596,138                     | 0.63% | —                                   | — |  |  |   |   |   |        |
| Director | Republic of China                    | Wang Chun-Chiang   | Male 51~60 | 07/30/2021   | 3 years | 06/27/2012         | 1,112,000                 | 1.17% | 1,316,000            | 1.38% | 1,755,100                   | 1.84% | —                                   | — | Department of Accounting, National Chung Hsing University<br>Clerk in Bank of Taiwan<br>Reporter in Commercial Times<br>Manager in Quality Assurance<br>Department of King Slide Works Co., Ltd.<br>Special Assistant to the Chairman of King Slide Works Co., Ltd.<br>Sales Manager of King Slide Works Co., Ltd. | Executive Vice President of King Slide Works Co., Ltd.<br>Vice President of King Slide Technology Co., Ltd.<br>President of King Slide USA, Inc.<br>Executive Director and Manager of King Slide Technology (Shenzhen) Co., Ltd. | Chairman<br>Director<br>President   | Lin Tsung-Chi<br>Lin Tsung-Lung<br>Lin Shu-Chen                       | In-laws<br>In-laws<br>Spouse                                | None   |



| Title                | Nationality or Place of registration | Name          | Gender Age   | Date Elected | Term    | Date First Elected | Shareholding When Elected |       | Current Shareholding |       | Spouse & Minor Shareholding |   | Shareholding by Nominee Arrangement |   | Selected Education and Experience   | Selected Current Positions at the Company and Other Companies  | Other Executives, Directors or Supervisors who are spouses or within two degrees of kinship |      |              | Remark |
|----------------------|--------------------------------------|---------------|--------------|--------------|---------|--------------------|---------------------------|-------|----------------------|-------|-----------------------------|---|-------------------------------------|---|---|--|---|------|--------------|--------|
|                      |                                      |               |              |              |         |                    | shares                    | %     | shares               | %     | shares                      | % | shares                              | % |   |  | Title   | Name | Relationship |        |
| Independent Director | Republic of China                    | Hsu Fang-Yih  | Male 51~60   | 07/30/2021   | 3 years | 06/25/2015         | —                         | —     | —                    | —     | —                           | — | —                                   | — | Department of Accounting, National Chung Hsing University<br>EMBA Program, National Sun Yat-sen University<br>Associate in Taiwan Cooperative Bank<br>Assistant Manager in Deloitte & Touche Limited<br>CPA     | Manager in Accounting Department of University<br>Independent Director and the member of the Audit Committee of Sheng Yu Co., Ltd. | —   | —    | —            | None   |
| Independent Director | Republic of China                    | Cai Wen-Zhi   | Male 51~60   | 07/30/2021   | 3 years | 06/26/2018         | —                         | —     | —                    | —     | —                           | — | —                                   | — | Department of Industrial Engineering, Tunghai University<br>Manager in Quality Assurance Department of King Slide Works Co., Ltd.<br>Senior Manager in Business Management Department of Adlink Technology Inc. | Quality Assurance Manager of DYNAHZ Technologies Corporation.  | —   | —    | —            | None   |
| Independent Director | Republic of China                    | Wu Hsiu       | Female 51~60 | 07/30/2021   | 3 years | 07/30/2021         | —                         | —     | —                    | —     | —                           | — | —                                   | — | International Business School<br>Accounting and Statistics Division   | —  | —   | —    | —            | None   |
| Independent Director | Republic of China                    | Yang Fu-Hsuan | Female 51~60 | 07/30/2021   | 3 years | 07/30/2021         | 1,000                     | 0.00% | 1,000                | 0.00% | —                           | — | —                                   | — | International Business School<br>Accounting and Statistics Division<br>Staff, chief, assistant manager of Finance Department, Sino-Japan Electric Heater Co., LTD.  | assistant manager of Finance Department, Sino-Japan Electric Heater Co., LTD.  | —   | —    | —            | None   |

Note: Although the Chairman and President of the Company are first-degree relatives, the Chairman is the founder of the Company, while the President started working at the Company from entry-level employee. The President is familiar with the Company's rules and daily operations, and has always been strictly abiding by and followed relevant corporate governance regulations. In order to strengthen the independence of the Board, the Company also plans to increase the number of Independent Director seats to enhance the functions of the Board and strengthen the supervision function at the re-election of Directors in 2021 General Shareholders' Meeting. At present, the Company has the following specific measures:

- (1) The current four Independent Directors have expertise in the fields of finance, accounting and quality assurance, and can effectively perform their functions.
- (2) All Directors are arranged to participate in external training to improve the effectiveness of the Board's operations.

- (3) Independent Directors can fully discuss and make recommendations for the Board to implement corporate governance.  
 (4) More than half of the Board members do not concurrently act as the employees or managers of the Company.

2 Majority shareholders of institutional shareholder

| Institutional shareholder's name | Majority shareholders           |
|----------------------------------|---------------------------------|
| Long Shen Investment Inc.        | Chuan Hai Investment Inc.: 100% |

3. Majority shareholders of institutional shareholder's majority shareholder as a juridical person

| Shareholder's name       | Majority shareholders   |
|--------------------------|---|
| Chuan Hai Investment Inc | Lin Tsung-Chi: 47.64% ; Lin Tsung-Lung: 16.33%;<br>Hsu Ching-Chih: 12.06% ; Lin Chen Jin-Feng: 8.3% ;<br>Lin Shu-Hui: 5.65% ; Lin Shu-Chen: 5.31% |

#### 4. Professional qualifications and independence analysis of directors

| <div>Qualification</div> <div>Name</div>                     | Work Experience and Professional Qualifications   | Status of Independence  | The Number of Other Publicly Traded Companies In Which the Individual is Concurrently Serving as an Independent Director |
|--|---|---|--|
| Lin Tsung-Chi  | Have work experience in the area of commerce or otherwise necessary for the business of the company.              | 1. There is no remuneration of providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years. | None   |
| Long Shen Investment Inc.<br>Representative: Lin Tsung- Lung | Have work experience in the area of commerce or otherwise necessary for the business of the company.              | 1. There is no remuneration of providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years. | None   |
| Wang Chun-Chiang   | Have work experience in the area of commerce, accounting, or otherwise necessary for the business of the company. | 1. There is no remuneration of providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years. | None   |

| <div>Qualification</div> <div>Name</div> | Work Experience and Professional Qualifications   | Status of Independence  | The Number of Other Publicly Traded Companies In Which the Individual is Concurrently Serving as an Independent Director |
|--|---|---|--|
| Hsu Fang-Yih                             | <p>The person has the Bachelor degree of Accounting from National Chung Hsing University and Executive MBA from National Sun Yat-Sen University. He had ever served as a senior manager in Deloitte Taiwan, and now serves as a supervisor of accounting unit in university. As a licensed CPA in Taiwan, he has worked in the areas of commerce, finance, accounting, and otherwise necessary for the business of the company for over 20 years, and not applying to any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p> | <p>1. Not the person, or the person's spouse or relative within the second degree of kinship serving as a director, supervisor, or employee of the company or any of its affiliate.</p> <p>2. Not the person, or the person's spouse or relative within the second degree of kinship as a natural-person shareholder who holds shares (or held by the person under others' names).</p> <p>3. Not serving as a director, supervisor, or employee of a company that has a particular relationship with the company (refer to the Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).</p> <p>4. There is no remuneration of providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years.</p> | 1  |

| <div>Qualification</div> <div>Name</div> | Work Experience and Professional Qualifications   | Status of Independence  | The Number of Other Publicly Traded Companies In Which the Individual is Concurrently Serving as an Independent Director |
|--|---|---|--|
| Cai Wen-Zhi                              | <p>The person has the Bachelor degree of Industrial Engineering from Tunghai University. He had ever served as a manager in the operation management section of ADLIND Technology Inc. and had experienced important positions in many other companies, and now serves as the manager in QC division of DYNAHZ Technologys Corporation. He has worked in the areas of commerce and otherwise necessary for the business of the company for over 20 years, and not applying to any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p> | <p>1. Not the person, or the person's spouse or relative within the second degree of kinship serving as a director, supervisor, or employee of the company or any of its affiliate.</p> <p>2. Not the person, or the person's spouse or relative within the second degree of kinship as a natural-person shareholder who holds shares (or held by the person under others' names).</p> <p>3. Not serving as a director, supervisor, or employee of a company that has a particular relationship with the company (refer to the Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).</p> <p>4. There is no remuneration of providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years.</p> | None   |

| <div>Qualification</div> <div>Name</div> | Work Experience and Professional Qualifications   | Status of Independence  | The Number of Other Publicly Traded Companies In Which the Individual is Concurrently Serving as an Independent Director |
|--|---|---|--|
| Wu Hsiu                                  | <p>The person graduated from the Accounting and Statistics department of the International School of Commerce and had ever served as an assistant specialist in the Kaohsiung Branch of Taiwan Business Bank for 17 years. She has worked in the areas of commerce, finance, accounting, and otherwise necessary for the business of the company for over 15 years, and not applying to any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p> | <p>1. Not the person, or the person's spouse or relative within the second degree of kinship serving as a director, supervisor, or employee of the company or any of its affiliate.</p> <p>2. Not the person, or the person's spouse or relative within the second degree of kinship as a natural-person shareholder who holds shares (or held by the person under others' names).</p> <p>3. Not serving as a director, supervisor, or employee of a company that has a particular relationship with the company (refer to the Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).</p> <p>4. There is no remuneration of providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years.</p> | None   |

| <div>Qualification</div> <div>Name</div> | Work Experience and Professional Qualifications  | Status of Independence   | The Number of Other Publicly Traded Companies In Which the Individual is Concurrently Serving as an Independent Director |
|--|--|--|--|
| Yang Fu-Hsuan                            | <p>The person graduated from the Accounting and Statistics department of the International School of Commerce and has worked for SINO-JAPAN Electric Heater Co., LTD since July, 1986, and now has been serving as the assistant manager in the finance division of the same company. She has worked in the areas of commerce, finance, accounting, and otherwise necessary for the business of the company for over 20 years, and not applying to any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p> | <p>1. Not the person, or the person's spouse or relative within the second degree of kinship serving as a director, supervisor, or employee of the company or any of its affiliate.</p> <p>2. Only the person holds 1000 issued shares of the Company (0.00% of the total number of issued shares), the person's spouse or relative within the second degree of kinship not as a natural-person shareholder who holds shares (or held by the person under others' names).</p> <p>3. Not serving as a director, supervisor, or employee of a company that has a particular relationship with the company (refer to the Article 3, paragraph 1, subparagraph 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).</p> <p>4. There is no remuneration of providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years.</p> | None   |

## 5. The Diversity and Independence on the Board of Directors

### (1) The Diversity on the Board of Directors

Instead of the “Nomination Committee”, the new director candidates are nominated by the “candidate nomination system” and evaluated by the board of directors, then submitted to the shareholders’ meeting for election. In accordance with the article 20, paragraph 4 of “Corporate Governance Best-practice Principles” of the Company, the members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

- A. Ability to make operational judgments.
- B. Ability to perform accounting and financial analysis.
- C. Ability to conduct management administration.
- D. Ability to conduct risk management.
- E. Knowledge of the industry.
- F. An international market perspective.
- G. Ability to lead.
- H. Ability to make policy decisions.

To enhance the corporate governance system and assist the board in establishing sound development of its structure, the article 20, paragraph 3 of “Corporate Governance Best-practice Principles” of the Company was amended in 2021 to issue a more appropriate policy on diversity of board of directors that considering the dynamics of the company's operation structure, operating direction, development needs, and so on, the composition of the board of directors shall include certain basic requirements (e.g., gender, nationality, age), professional background (e.g., accounting, industry, finance, marketing, technology), professional skills, and industry experience.

## (2) Goal

The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its



shareholders' meetings. For the business development of the Company, there should be at least one of its board members required to have experience and expertise at each of the fields in finance, commerce, management, and otherwise necessary fields for the Company's development. Besides, the Company has focused on diversity in gender and required at least one female board member.

### (3) Implementation

The diversity element distribution of the board: 4 members in accounting, 3 members in industry knowledge, 3 members in finance, 1 member in marketing, 1 member in information technology, 2 members in banking, 1 member in securities, 1 member in insurance, 1 member in asset management, and 2 members in risk management.

| Diversity<br>Core<br>Element<br><br>Name | Basic Requirement |        |                  |                |                |                |                                     |              |              | Professional Background |              |             |               |   | Professional Skills and Industry Experience |                    |                   |                         |                        |
|--|-------------------|--------|------------------|----------------|----------------|----------------|-------------------------------------|--------------|--------------|-------------------------|--------------|-------------|---------------|---|---|--------------------|-------------------|-------------------------|------------------------|
|  | Natio<br>nality   | Gender | Em<br>ploy<br>ee | Age            |                |                | Term of<br>Independent<br>Directors |              |              | Accou<br>nting          | Indus<br>try | Finan<br>ce | Marketi<br>ng | Infor<br>matio<br>n<br>Tech<br>nolog<br>y | Bank<br>ing                                 | Sec<br>uriti<br>es | Ins<br>ura<br>nce | Asset<br>Manag<br>ement | Risk<br>Manag<br>ement |
|  |                   |        |                  | 51<br>to<br>60 | 61<br>to<br>80 | 81<br>to<br>90 | Less<br>than<br>3<br>years          | 4<br>to<br>6 | 7<br>to<br>9 |                         |              |             |               |   |   |                    |                   |                         |                        |
| Lin Tsung-Chi                            | R.O.<br>C         | Male   |                  |                |                | ✓              |                                     |              |              |                         | ✓            |             |               |   |   |                    |                   | ✓                       |                        |
| Lin Tsung-Lung                           | R.O.<br>C         | Male   |                  | ✓              |                |                |                                     |              |              |                         | ✓            |             |               |   |   |                    |                   |                         |                        |
| Wang Chun-Chiang                         | R.O.<br>C         | Male   | ✓                | ✓              |                |                |                                     |              |              | ✓                       |              |             | ✓             |   | ✓   |                    |                   |                         |                        |
| Hsu Fang-Yih                             | R.O.<br>C         | Male   |                  | ✓              |                |                |                                     |              | ✓            | ✓                       |              | ✓           |               |   |   |                    |                   |                         | ✓                      |
| Cai Wen-Zhi                              | R.O.<br>C         | Male   |                  | ✓              |                |                |                                     | ✓            |              |                         | ✓            |             |               | ✓   |   |                    |                   |                         |                        |
| Wu Hsiu                                  | R.O.<br>C         | Female |                  | ✓              |                |                | ✓                                   |              |              | ✓                       |              | ✓           |               |   | ✓   | ✓                  | ✓                 |                         |                        |
| Yang Fu-Hsuan                            | R.O.<br>C         | Female |                  | ✓              |                |                | ✓                                   |              |              | ✓                       |              | ✓           |               |   |   |                    |                   |                         | ✓                      |

Note: Percentage of the number of directors concurrently serving as the company employee: 1/7 (14%)

Percentage of the number of independent directors: 4/7 (57%)

Percentage of the number of female directors: 2/7 (29%)

(4) The Independence on the Board:

The Board of the Company is composed of 7 directors, including 4 independent directors (57%) who don't apply to any of the circumstances in the paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act, including the spousal relationship or familial relationship within the second degree of kinship among directors, supervisors, or directors and supervisors.

## (II) President, vice President, assistant vice president, and management team

As of 05/01/2021; Unit: One share

| Title                    | Nationality       | Name             | Gender | Date Elected | shareholding |       | Spouse & Minor Shareholding |       | Shareholding by Nominee Arrangement |   | Selected Education and Experience  | Selected Current Positions at Other Companies  | Managers who are spouses or within two degrees of kinship |                  |              | Remark |
|--------------------------|-------------------|------------------|--------|--------------|--------------|-------|-----------------------------|-------|-------------------------------------|---|--|--|---|------------------|--------------|--------|
|                          |                   |                  |        |              | shares       | %     | shares                      | %     | shares                              | % |  |  | Title   | Name             | Relationship |        |
| President                | Republic of China | Lin Shu-Chen     | Female | 06/16/2006   | 1,755,100    | 1.84% | 1,316,000                   | 1.38% | —                                   | — | School of Accounting, KuoChi College of Business, Accounting Manager of King Slide Works Co., Ltd. Manager of General Management Office of King Slide Works Co., Ltd. Vice President of King Slide Works Co., Ltd. Special Assistant to the Chairman of King Slide Works Co., Ltd. | Director of King Slide Technology Co., Ltd. President of King Slide Technology Co., Ltd. Executive Director and President of King Slide Technology (China) Co., Ltd. Director of Chuan Hai Investment Inc. | Executive Vice President                                  | Wang Chun Chiang | Spouse       | Note   |
| Executive Vice President | Republic of China | Wang Chun Chiang | Male   | 01/21/2005   | 1,316,000    | 1.38% | 1,755,100                   | 1.84% | —                                   | — | Department of Accounting, National Chung Hsing University Clerk in Bank of Taiwan Reporter in Commercial Times Manager in Quality Assurance Department of King Slide Works Co., Ltd. Special Assistant to the Chairman of King Slide Works Co., Ltd. Sales Manager of King         | Director of King Slide Works Co., Ltd. Vice President of King Slide Technology Co., Ltd. President of King Slide USA, Inc. Executive Director and Manager of King Slide Technology (Shenzhen) Co., Ltd.    | President   | Lin Shu-Chen     | Spouse       | None   |

| Title                        | Nationality       | Name            | Gender | Date Elected | shareholding |       | Spouse & Minor Shareholding |       | Shareholding by Nominee Arrangement |   | Selected Education and Experience   | Selected Current Positions at Other Companies                        | Managers who are spouses or within two degrees of kinship |      |              | Remark |
|------------------------------|-------------------|-----------------|--------|--------------|--------------|-------|-----------------------------|-------|-------------------------------------|---|---|--|---|------|--------------|--------|
|                              |                   |                 |        |              | shares       | %     | shares                      | %     | shares                              | % |   |  | Title   | Name | Relationship |        |
|                              |                   |                 |        |              |              |       |                             |       |                                     |   | Slide Works Co., Ltd.   |  |   |      |              |        |
| Assistant President          | Republic of China | Fang Bing-Huang | Male   | 06/01/2016   | 1,504        | 0.00% | 871                         | 0.00% | —                                   | — | Department of Electrical Engineering, National Kaohsiung University of Science and Technology<br>Production Manager of King Slide Works Co., Ltd.   | None   | —   | —    | —            | None   |
| Financial Manager            | Republic of China | Xue Ya-Ling     | Female | 01/21/2005   | 10,011       | 0.01% | —                           | —     | —                                   | — | Department of Accounting Information, Kun Shan University<br>Accounting Manager of King Slide Works Co., Ltd.   | None   | —   | —    | —            | None   |
| Accounting Manager           | Republic of China | Chen Yi-Nian    | Female | 01/21/2005   | —            | —     | —                           | —     | —                                   | — | School of Banking and Insurance, National Kaohsiung University of Science and Technology ,<br>Accountant of King Slide Works Co., Ltd.  | None   | —   | —    | —            | None   |
| Corporate Governance Officer | Republic of China | Ching-Te Cheng  | Male   | 06/01/2021   | —            | —     | —                           | —     | —                                   | — | B.S., Department of Electrical Engineering, Southern Taiwan University of Science and Technology, Taiwan.<br>B.S., Department of Economic and Financial Law, National University of Kaohsiung, Taiwan.<br>Patent Engineer/ Leader International Services.<br>Senior Engineer/ Lite-On | Team leader of IPR&Legal Affairs Office in King Slide Works Co., Ltd | —   | —    | —            | None   |

| Title | Nationality | Name | Gender | Date Elected | shareholding |   | Spouse & Minor Shareholding |   | Shareholding by Nominee Arrangement |   | Selected Education and Experience | Selected Current Positions at Other Companies | Managers who are spouses or within two degrees of kinship |      |              | Remark |
|-------|-------------|------|--------|--------------|--------------|---|-----------------------------|---|-------------------------------------|---|-----------------------------------|---|---|------|--------------|--------|
|       |             |      |        |              | shares       | % | shares                      | % | shares                              | % |                                   |   | Title   | Name | Relationship |        |
|       |             |      |        |              |              |   |                             |   |                                     |   | Automotive Corporation.           |   |   |      |              |        |

Note: Although the Chairman and President of the Company are first-degree relatives, the Chairman is the founder of the Company, while the President started working at the Company from entry-level employee. The President is familiar with the Company's rules and daily operations, and has always been strictly abiding by and followed relevant corporate governance regulations. In order to strengthen the independence of the Board, the Company also plans to increase the number of Independent Director seats to enhance the functions of the Board and strengthen the supervision function at the re-election of Directors in 2021 General Shareholders' Meeting. At present, the Company has the following specific measures:

- (1) The current four Independent Directors have expertise in the fields of finance, accounting and quality assurance, and can effectively perform their functions.
- (2) All Directors are arranged to participate in external training to improve the effectiveness of the Board's operations.
- (3) Independent Directors can fully discuss and make recommendations for the Board to implement corporate governance.
- (4) More than half of the Board members do not concurrently act as the employees or managers of the Company.

### III. Remuneration of directors, supervisors, president, and vice president in the most recent fiscal year

#### (I) Remuneration of directors, supervisors, president, and vice president in the most recent fiscal year

##### 1. Remuneration of Directors (with the remuneration range and directors' names)

2021, Unit: NT\$ thousands

| Title                | Name  | Director's remuneration |                                |   |                                |  |                                |                |                                | Total Remuneration (a+b+c+d) as a % of net profit |                                | Remuneration earned as an employee of the Company |                                |  |                                |  |       |                                |       | Total remuneration (a+b+c+d+e+f+g) as a % of net profit |                | Remuneration Paid from Non-consolidated Subsidiaries or the parent company |
|----------------------|---|-------------------------|--------------------------------|---|--------------------------------|--|--------------------------------|----------------|--------------------------------|---|--------------------------------|---|--------------------------------|--|--------------------------------|--|-------|--------------------------------|-------|---|----------------|--|
|                      |   | Base Remuneration (a)   |                                | Severance Pay and Pensions (b) (Note 1) |                                | Remuneration to Directors (c) (Note 2) |                                | Allowances (d) |                                |   |                                | Base remuneration, bonuses, and allowances (e)    |                                | Severance pay and pensions (f) (Note1) |                                | Employees' profit sharing bonus (g) (Note 2) |       |                                |       |   |                |  |
|                      |   | The Company             | From all consolidated entities | The Company                             | From all consolidated entities | The Company                            | From all consolidated entities | The Company    | From all consolidated entities | The Company                                       | From all consolidated entities | The Company                                       | From all consolidated entities | The Company                            | From all consolidated entities | The Company                                  |       | From all consolidated entities |       |   |                |  |
|                      |   |                         |                                |   |                                |  |                                |                |                                |   |                                |   |                                |  |                                | Cash   | Stock | Cash                           | Stock |   |                |  |
| Chairman             | Lin Tsung-Chi   | 1,341                   | 1,341                          | 32                                      | 32                             | 4,748                                  | 4,748                          | —              | —                              | 6,121<br>0.29%                                    | 6,121<br>0.29%                 | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 6,121<br>0.29%  | 6,121<br>0.29% | None   |
| Director             | Long Shen Investment Inc.<br>Representative: Lin Tsung-Lung | —                       | —                              | —                                       | —                              | 821                                    | 821                            | —              | —                              | 821<br>0.04%                                      | 821<br>0.04%                   | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 821<br>0.04%  | 821<br>0.04%   | None   |
| Director             | Wang Chun- Chiang   | —                       | —                              | —                                       | —                              | 240                                    | 240                            | —              | —                              | 240<br>0.01%                                      | 240<br>0.01%                   | 4,105   | 4,105                          | 30                                     | 30                             | 3,712  | —     | 3,712                          | —     | 8,087<br>0.39%  | 8,087<br>0.39% | None   |
| Director             | Chiu Yen-Chih   | —                       | —                              | —                                       | —                              | 171                                    | 171                            | —              | —                              | 171<br>0.01%                                      | 171<br>0.01%                   | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 171<br>0.01%  | 171<br>0.01%   | None   |
| Independent Director | Lee Wen-Chang resigned on 07/30/2021                        | —                       | —                              | —                                       | —                              | —                                      | —                              | 210            | 210                            | 210<br>0.01%                                      | 210<br>0.01%                   | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 210<br>0.01%  | 210<br>0.01%   | None   |
| Independent Director | Hsu Fang-Yih  | —                       | —                              | —                                       | —                              | —                                      | —                              | 370            | 370                            | 370<br>0.02%                                      | 370<br>0.02%                   | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 370<br>0.02%  | 370<br>0.02%   | None   |
| Independent Director | Cai Wen-Zhi   | —                       | —                              | —                                       | —                              | —                                      | —                              | 370            | 370                            | 370<br>0.02%                                      | 370<br>0.02%                   | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 370<br>0.02%  | 370<br>0.02%   | None   |
| Independent Director | Wu Hsiu On board on 07/30/2021                              | —                       | —                              | —                                       | —                              | —                                      | —                              | 200            | 200                            | 200<br>0.01%                                      | 200<br>0.01%                   | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 200<br>0.01%  | 200<br>0.01%   | None   |
| Independent Director | Yang Fu-Hsuan On board on 07/30/2021                        | —                       | —                              | —                                       | —                              | —                                      | —                              | 200            | 200                            | 200<br>0.01%                                      | 200<br>0.01%                   | —   | —                              | —                                      | —                              | —  | —     | —                              | —     | 200<br>0.01%  | 200<br>0.01%   | None   |

Note 1: All recognized and appropriated figures

Note 2: Estimated figures based on the disbursement in 2020

Remuneration Range

| Remuneration Range of Directors                    | Name  |   |   |   |
|--|---|---|---|---|
|  | Total of a+b+c+d  |   | Total of a+b+c+d+e+f+g  |   |
|  | The Company   | From all consolidated entities  | The Company   | From all consolidated entities  |
| Less than \$1,000,000                              | Representative of Long Shen Investment Inc.: Lin Tsung-Lung Wang Chun-Chiang, Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih, Cai Wen-Zhi, Wu Hsiu, Yang Fu-Hsuan | Representative of Long Shen Investment Inc.: Lin Tsung-Lung Wang Chun-Chiang, Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih, Cai Wen-Zhi, Wu Hsiu, Yang Fu-Hsuan | Representative of Long Shen Investment Inc.: Lin Tsung-Lung Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih, Cai Wen-Zhi, Wu Hsiu, Yang Fu-Hsuan | Representative of Long Shen Investment Inc.: Lin Tsung-Lung Chiu Yen-Chih, Lee Wen-Chang, Hsu Fang-Yih, Cai Wen-Zhi, Wu Hsiu, Yang Fu-Hsuan |
| \$1,000,000 (included) ~ \$2,000,000(excluded)     | —   | —   | —   | —   |
| \$2,000,000 (included) ~ \$3,500,000 (excluded)    | —   | —   | —   | —   |
| \$3,500,000 (included) ~ \$5,000,000 (excluded)    | —   | —   | —   | —   |
| \$5,000,000 (included) ~ \$10,000,000 (excluded)   | Lin Tsung-Chi   | Lin Tsung-Chi   | Lin Tsung-Chi, Wang Chun Chiang   | Lin Tsung-Chi, Wang Chun Chiang   |
| \$10,000,000 (included) ~ \$15,000,000 (excluded)  | —   | —   | —   | —   |
| \$15,000,000 (included) ~ \$30,000,000 (excluded)  | —   | —   | —   | —   |
| \$30,000,000 (included) ~ \$50,000,000 (excluded)  | —   | —   | —   | —   |
| \$50,000,000 (included) ~ \$100,000,000 (excluded) | —   | —   | —   | —   |
| More than \$ 100,000,000                           | —   | —   | —   | —   |
| Total  | 9   | 9   | 9   | 9   |

## 2. Remuneration of supervisors (with the remuneration range and supervisors' names)

2021, Unit: NT\$ thousands

| Title      | Name   | Supervisor's remuneration |                                |                              |                                |                        |                                | Total Remuneration (a+b+c) and % of net profit |                                | Remuneration Paid from Non-consolidated Subsidiaries or the Parent Company |
|------------|--|---------------------------|--------------------------------|------------------------------|--------------------------------|------------------------|--------------------------------|--|--------------------------------|--|
|            |  | Base Remuneration (a)     |                                | Base Remuneration (b) (Note) |                                | Business Allowance (c) |                                |  |                                |  |
|            |  | The Company               | From all consolidated entities | The Company                  | From all consolidated entities | The Company            | From all consolidated entities | The Company                                    | From all consolidated entities |  |
| Supervisor | Yin Li Investment Inc.<br>Representative: Lin, Jhang A-Jhu<br>resigned on 07/30/2021 | —                         | —                              | 348                          | 348                            | —                      | —                              | 348<br>0.02%                                   | 348<br>0.02%                   | None   |
| Supervisor | Wu Min-Zhen<br>resigned on 07/30/2021  | —                         | —                              | 172                          | 172                            | —                      | —                              | 172<br>0.01%                                   | 172<br>0.01%                   | None   |

Note: Estimated figures based on the disbursement in 2020

### Remuneration Range

| Remuneration Range of Supervisors                  | Name  |   |
|--|---|---|
|  | Total of a+b+c  |   |
|  | The Company   | From all consolidated entities  |
| Less than \$1,000,000                              | Yin Li Investment Inc.<br>Representative: Lin, Jhang A-Jhu<br>, Wu Min-Zhen | Yin Li Investment Inc.<br>Representative: Lin, Jhang A-Jhu<br>, Wu Min-Zhen |
| \$1,000,000 (included) ~ \$2,000,000 (excluded)    | —   | —   |
| \$2,000,000 (included) ~ \$3,500,000 (excluded)    | —   | —   |
| \$3,500,000 (included) ~ \$5,000,000 (excluded)    | —   | —   |
| \$5,000,000 (included) ~ \$10,000,000 (excluded)   | —   | —   |
| \$10,000,000 (included) ~ \$15,000,000 (excluded)  | —   | —   |
| \$15,000,000 (included) ~ \$30,000,000 (excluded)  | —   | —   |
| \$30,000,000 (included) ~ \$50,000,000 (excluded)  | —   | —   |
| \$50,000,000 (included) ~ \$100,000,000 (excluded) | —   | —   |
| More than \$ 100,000,000                           | —   | —   |
| Total  | 2   | 2   |



### 3. Remuneration to President and Vice President (with the remuneration range and directors' names)

2021, Unit: NT\$ thousands

2021, Unit: NT\$ thousands

| Title          | Name             | Salary (a)  |                                | Severance Pay and Pensions (b)<br>(Note 1) |                                | Bonus and special allowance, etc. (c) |                                | Employees' profit sharing bonus (d)<br>(Note 2) |             |                                |             | Total Remuneration (a+b+c+d)<br>and % of net profit |                                | Remuneration Paid from Non-consolidated Subsidiaries or the Parent Company |
|----------------|------------------|-------------|--------------------------------|--|--------------------------------|---------------------------------------|--------------------------------|---|-------------|--------------------------------|-------------|---|--------------------------------|--|
|                |                  | The Company | From all consolidated entities | The Company                                | From all consolidated entities | The Company                           | From all consolidated entities | The Company                                     |             | From all consolidated entities |             | The Company   | From all consolidated entities |  |
|                |                  |             |                                |  |                                |                                       |                                | Cash value                                      | Stock value | Cash value                     | Stock value |   |                                |  |
| President      | Lin Shu-Chen     | 1,274       | 1,274                          | 31   | 31                             | 2,907                                 | 2,907                          | 3,549   | —           | 3,549                          | —           | 7,761<br>0.37%                                      | 7,761<br>0.37%                 | None   |
| Vice President | Wang Chun-Chiang | 1,269       | 1,269                          | 30   | 30                             | 2,836                                 | 2,836                          | 3,712   | —           | 3,712                          | —           | 7,847<br>0.38%                                      | 7,847<br>0.38%                 | None   |

Note 1: All recognized and appropriated figures

Note 2: Estimated figures based on the disbursement in 2020

#### Remuneration Range

| Remuneration Range of President and Vice Presidents | Name                             |                                  |
|---|----------------------------------|----------------------------------|
|   | The Company                      | From all consolidated entities   |
| Less than \$1,000,000                               | —                                | —                                |
| \$1,000,000 (included) ~ \$2,000,000 (excluded)     | —                                | —                                |
| \$2,000,000 (included) ~ \$3,500,000 (excluded)     | —                                | —                                |
| \$3,500,000 (included) ~ \$5,000,000 (excluded)     | —                                | —                                |
| \$5,000,000 (included) ~ \$10,000,000 (excluded)    | Lin Shu-Chen<br>Wang Chun-Chiang | Lin Shu-Chen<br>Wang Chun-Chiang |
| \$10,000,000 (included) ~ \$15,000,000 (excluded)   | —                                | —                                |
| \$15,000,000 (included) ~ \$30,000,000 (excluded)   | —                                | —                                |
| \$30,000,000 (included) ~ \$50,000,000 (excluded)   | —                                | —                                |
| \$50,000,000 (included) ~ \$100,000,000 (excluded)  | —                                | —                                |
| More than \$ 100,000,000                            | —                                | —                                |
| Total   | 2                                | 2                                |

4. Employee profit sharing paid to top managers:

2021, Unit: NT\$ thousands

|         | Title                              | Name                 | Stock<br>(Note) | Cash<br>(Note) | Total | Total paid to top<br>managers as % of net<br>profit |
|---------|------------------------------------|----------------------|-----------------|----------------|-------|---|
| Manager | President                          | Lin Shu-Chen         | —               | 9,448          | 9,448 | 0.46%   |
|         | Vice<br>President                  | Wang Chun-<br>Chiang |                 |                |       |   |
|         | Assistant<br>President             | Fang Bing-Huang      |                 |                |       |   |
|         | Financial<br>Manager               | Xue Ya-Ling          |                 |                |       |   |
|         | Accounting<br>Manager              | Chen Yi-Nian         |                 |                |       |   |
|         | Corporate<br>Governance<br>Officer | Ching-Te Cheng       |                 |                |       |   |

Note: Estimated figures based on the disbursement in 2020

5. Top 5 managers who receive the highest remuneration:

The Company had not posted after-tax deficits in the financial reports in the most recent 3 fiscal years nor was the Company ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the Company's securities had not been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEx, nor had the Corporate Governance Evaluation Committee resolved that the company shall be excluded from evaluation. Thus, this is not applicable to the Company.

(II) Compare respectively the ratio of the total amount of the remuneration paid to each of the directors, supervisors, president, vice presidents, etc. of the Company and all entities covered in the consolidated financial statements in the past two fiscal years to after-tax net profit stated in the financial reports along with explanations of the policies, standards and portfolios for the payment of remuneration, the procedures for determining remuneration and its linkage to business performance and future risks.

1. Analysis of the total amount of the remuneration paid to each of the directors, supervisors, president, vice presidents, etc. of the Company and all companies covered in the consolidated financial statements in the past two fiscal years to after-tax net profit stated in the financial reports

| Item<br><br><br><br>Title       | Total Remuneration as percentage of After-tax<br>Net Profit |  |                |  | Change %       |  |
|---------------------------------|---|--|----------------|--|----------------|--|
|                                 | 2021 (Note 1)   |  | 2020 ( Note 2) |  |                |  |
|                                 | The<br>Company  | All entities<br>covered in<br>the<br>consolidated<br>financial<br>statements | The<br>Company | All entities<br>covered in<br>the<br>consolidated<br>financial<br>statements | The<br>Company | All entities<br>covered in<br>the<br>consolidated<br>financial<br>statements |
| Director                        | 0.80%   | 0.80%  | 1.08%          | 1.08%  | -25.93%        | -25.93%  |
| Supervisor                      | 0.03%   | 0.03%  | 0.06%          | 0.06%  | -50.00%        | -50.00%  |
| President and<br>Vice President | 0.75%   | 0.75%  | 0.83%          | 0.83%  | -9.64%         | -9.64%   |

Note 1: The 2021 employees' profit sharing bonus is estimated according to the actual distribution made in 2020.

Note 2: The 2020 total remuneration is the actual payment made

Explanation:

The remuneration paid to the Directors, Supervisors, and President and Vice President as a percentage of net profit in the financial report in 2021 decreased by 25.93%, 50.00%, and 9.64% from 2020, respectively, resulting from the increase of net profit by 77.96% from 2020. Although the remuneration payable and travel expense for directors and supervisors are fixed expenditure, the remuneration for employees adjusted accordingly.

2. Remuneration policies, standards/packages, procedures for determining remuneration, and its linkage to operating performance and future risk exposure:

(1) Remuneration policies of directors and supervisors were, through the authorization of shareholders' meeting, formulated by the Board of Directors with the reference to the industry standard.

Remuneration paid for professional services provided by the directors or

supervisors shall not exceed the salary level stipulated in “Regulation Governing Employee Salary” and shall be paid, regardless of the financial result of the business operation. And the remuneration appropriated to the directors and supervisors shall not be higher than 5% of profit before income tax.

- (2) Salaries and remuneration to the president and vice president of the Company were set according to “Regulation Governing Employee Salary”. Bonuses were appropriated according to the Company’s revenue and profitability, industry standard, and the performance of Corporate sustainability management (including employee safety, diversity, and environment, etc.), and were reviewed and resolved by the Remuneration Committee and the Board of Directors as well to minimize any possible risk to the Company’s future.

#### IV. Implementation of corporate governance

##### (I) Board of Directors

A total of 7 meetings of the Board of Directors were held in 2021. The attendance of directors and supervisors was as follows:

| Title                | Name  | Attendance in Person | by Proxy | Attendance Rate (%) | Remark   |
|----------------------|---|----------------------|----------|---------------------|--|
| Chairman             | Lin Tsung-Chi   | 7                    | -        | 100.00              |  |
| Director             | Long Shen Investment Inc.<br>Representative: Lin Tsung-Lung | 7                    | -        | 100.00              |  |
| Director             | Wang Chun-Chiang  | 7                    |          | 100.00              |  |
| Director             | Chiu Yen-Chih   | 4                    | -        | 100.00              | Resigned on 07/30/2021, 4 times attendance required. |
| Independent Director | Lee Wen-Chang   | 4                    | -        | 100.00              |  |
| Independent Director | Hsu Fang-Yih  | 7                    | -        | 100.00              |  |
| Independent Director | Cai Wen-Zhi   | 7                    | -        | 100.00              |  |
| Independent Director | Wu Hsiu   | 3                    | -        | 100.00              | On board on 07/30/2021, 3 times attendance required. |
| Independent Director | Yang Fu-Hsuan   | 3                    | -        | 100.00              |  |
| Supervisor           | Yin Li Investment Inc.<br>Representative: Lin, Jhang A-Jhu  | 6                    | -        | 75.00               | Resigned on 07/30/2021, 4 times attendance required. |
| Supervisor           | Wu Min-Zhen   | 6                    | -        | 100.00              |  |

Other matters required reporting:

- I. The date, session, proposal content of the Board meeting, opinions of all Independent Directors and how the Company deals with such opinions shall be specified if any of the following circumstances occurs during the operations of the Board:
  - (I) Any circumstance set out in the paragraphs of Article 14-3 of the Securities and Exchange Act: Refer to Table(1) below.
  - (II) Apart from the circumstances above, other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None
- II. In the events of recusals of directors due to conflicts of interests, the name of the director, meeting agenda and reason for the recusals and the resolution shall be clearly stated:
  - (I) Board meeting date: 01/08/2021
    1. Directors: Lin Tsung-Chi and Wang Chun-Chiang
    2. Proposal: Reviewing and approving employee cash bonus in 2019 and yearend bonus allocation in 2020 for the Chairman, top managers, and internal auditors.
    3. Reason for the recusals: the directors above were the interested parties (Chairman and Executive Vice President).
    4. Resolution: the proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director).
  - (II) Board meeting date: 11/05/2021

|   |
|---|
| 1. Directors: Lin Tsung-Chi and Wang Chun-Chiang  |
| 2. Proposal: Reviewing salary adjustment for the Chairman, top managers, and internal auditors.   |
| 3. Reason for the recusals: the directors above were the interested parties (Chairman and Executive Vice President).  |
| 4. Resolution: the proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director).   |
| (III) Board meeting date: 11/05/2021  |
| 1. Directors: Lin Tsung-Chi, Lin Tsung-Lung, and Wang Chun-Chiang.  |
| 2. Proposal: Reviewing and approving remuneration to the directors and supervisors for 2020 service   |
| 3. Reason for the recusals: the directors above were the interested parties.  |
| 4. Resolution: the proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman), Lin Tsung-Lung(Director), and Wang Chun-Chiang(Director).   |
| III. The information on the evaluation cycles, periods, scope, method and content of the Company's Board of Directors self-evaluation (or peer assessment) shall be disclosed, and complete Attachment 2 for the performance of the Board evaluation: Refer to Table(3) below.  |
| IV. The objectives (such as setting of an audit committee, improvement of information transparency, etc.) of strengthening the functionality of the Board of Directors for the current fiscal year and the most recent fiscal year and assessment on the implementation: The Company established an audit committee together with the re-election of Directors at the 2021 General Shareholders' Meeting, and declared various financial and business information at MOPS in accordance with regulations in order to enhance the transparency of information. |

(1) Any matters listed in Article 14-3 of the Securities and Exchange Act occurred during the Board meeting

| Board meeting   | Proposals and Follow-ups   | Matters listed in Article 14-3 of the Securities and Exchange Act | Any dissenting or qualified opinion of independent directors |
|---|--|---|--|
| The 13 <sup>th</sup> Board of Director the 16 <sup>th</sup> meeting on 01/08/2021 | 1. Reviewing and approving employee cash bonus in 2019 and yearend bonus allocation in 2020 for the Chairman, top managers, and internal auditors.   | ✓   |  |
|   | Independent director opinion: None   |   |  |
|   | The management's response to the independent director opinion: None  |   |  |
|   | Resolution: The proposal was approved by the other attending directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director). |   |  |
|   | 2. The amendment to "Accounting Policy", "Internal Control Policy" and "Internal Audit Implementation Rules".  | ✓   |  |
|   | Independent director opinion: None   |   |  |
|   | The management's response to the independent director opinion: None  |   |  |
|   | Resolution: The proposal was approved by all attending directors.  |   |  |
| The 13 <sup>th</sup> Board of   | 1. The partial amendment to the Company's "Procedures for Acquisition or Disposition of Assets".   | ✓   |  |

| Board meeting   | Proposals and Follow-ups   | Matters listed in Article 14-3 of the Securities and Exchange Act | Any dissenting or qualified opinion of independent directors |
|---|--|---|--|
| Director the 17 <sup>th</sup> meeting on 02/26/2021                               | Independent director opinion: None   |   |  |
|   | The management's response to the independent director opinion: None  |   |  |
|   | Resolution: The proposal was approved by all attending directors.  |   |  |
| The 13 <sup>th</sup> Board of Director the 18 <sup>th</sup> meeting on 05/07/2021 | 1. Report the professional fees to Deloitte & Touche for 2021 auditing services.   | ✓   |  |
|   | Independent director opinion: None   |   |  |
|   | The management's response to the independent director opinion: None  |   |  |
|   | Resolution: The proposal was approved by all attending Directors.  |   |  |
| The 14 <sup>th</sup> Board of Director the 3rd meeting on 11/05/2021              | 1. The amendment to "Internal Control Policy" and "Internal Audit Policy".   | ✓   |  |
|   | Independent director opinion: None   |   |  |
|   | The management's response to the independent director opinion: None  |   |  |
|   | Resolution: The proposal was approved by all attending directors.  |   |  |
|   | 2. Reviewing and approving remuneration to the directors and supervisors for 2020 service.   | ✓   |  |
|   | Independent director opinion: None   |   |  |
|   | The management's response to the independent director opinion: None  |   |  |
|   | Resolution: The proposal was approved by the other attending directors with the recusal of Lin Tsung-Chi (Chairman), Lin Tsung-Lung (Director), and Wang Chun-Chiang (Director). |   |  |
|   | 3. Reviewing salary adjustment for the Chairman, top managers, and internal auditors.  | ✓   |  |
|   | Independent director opinion: None   |   |  |
|   | The management's response to the independent director opinion: None  |   |  |
|   | Resolution: The proposal was approved by the other attending directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director).                             |   |  |

(2) Attendance of Independent Directors in 2021

◎: Attendance in Person ; ☆: by Proxy ; \*: Absence

| 2021                                       | 01/08/2021<br>Session 1 | 02/26/2021<br>Session 2 | 05/07/2021<br>Session 3 | 07/13/2021<br>Session 4 | 07/30/2021<br>Session 5 | 08/06/2021<br>Session 6 | 11/05/2021<br>Session 7 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Lee Wen-Chang<br>Resigned on<br>07/30/2021 | ◎                       | ◎                       | ◎                       | ◎                       |                         |                         |                         |
| Hsu Fang-Yih                               | ◎                       | ◎                       | ◎                       | ◎                       | ◎                       | ◎                       | ◎                       |
| Cai Wen-Zhi                                | ◎                       | ◎                       | ◎                       | ◎                       | ◎                       | ◎                       | ◎                       |
| Wu Hsiu<br>On board on<br>07/30/2021       |                         |                         |                         |                         | ◎                       | ◎                       | ◎                       |
| Yang Fu-Hsuan<br>On board on<br>07/30/2021 |                         |                         |                         |                         | ◎                       | ◎                       | ◎                       |

Form (3) The Board Performance Evaluation

| Classification                         | Cycle        | Period  | Scope   | Method   | Description   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|--|--------------|---|---|--|---|-----------|-----------|-------|--|----|------|--|----|------|--|---|------|---|---|------|---------------------|---|---|
| Board of Directors                     | Once a year. | The evaluation for the Board performance from January 1, 2021 to December 31, 2021 was completed on January 10, 2022. | The Board as a whole and individual directors . | The internal evaluation of the Board and self-evaluation by individual Board members are conducted by questionnaires:<br>1.The Board as a whole: The questionnaire with 45 indicators of five aspects shall be completed by the President and individual | 1. The Board Performance Evaluation covers the following 5 aspects:   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  | <table><tr><th>Aspect</th><th>Indicator</th><th>Score</th></tr><tr><td>A. Participation in the operation of the Company</td><td>12</td><td>4.92</td></tr><tr><td>B. Quality Improvement of the Board of Directors' decision making.</td><td>12</td><td>4.92</td></tr><tr><td>C. Composition and structure of the Board of Directors</td><td>7</td><td>4.71</td></tr><tr><td>D. Election and continuing education of the Directors</td><td>7</td><td>4.43</td></tr><tr><td>E. Internal control</td><td>7</td><td>5</td></tr></table> | Aspect    | Indicator | Score | A. Participation in the operation of the Company | 12 | 4.92 | B. Quality Improvement of the Board of Directors' decision making. | 12 | 4.92 | C. Composition and structure of the Board of Directors | 7 | 4.71 | D. Election and continuing education of the Directors | 7 | 4.43 | E. Internal control | 7 | 5 |
|  |              |   |   |  | Aspect  | Indicator | Score     |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  | A. Participation in the operation of the Company  | 12        | 4.92      |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  | B. Quality Improvement of the Board of Directors' decision making.  | 12        | 4.92      |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  | C. Composition and structure of the Board of Directors  | 7         | 4.71      |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  | D. Election and continuing education of the Directors   | 7         | 4.43      |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
| E. Internal control                    | 7            | 5   |   |  |   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
| There are 45 indicators with 5 aspects |              |   |   |  |   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  |   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  |   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  |   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |
|  |              |   |   |  |   |           |           |       |  |    |      |  |    |      |  |   |      |   |   |      |                     |   |   |



| Classification   | Cycle     | Period | Scope | Method   | Description   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |
|--|-----------|--------|-------|--|---|--------|-----------|-------|---|---|---|--|---|---|--|---|------|--|---|---|--|---|---|---------------------|---|------|
|  |           |        |       | <p>Directors.</p> <p>2.The individual Directors: The questionnaire with 23 indicators of 6 aspects shall be completed by the individual Directors.</p> <p>3.Rating Scale: 1- The Worst (Strongly Disagree), 2-Bad (Disagree), 3- Average (Neutral), 4- Good (Agree), 5- Extremely Good (Strongly Agree).</p> | <p>covered included in the evaluation to assess the performance of the Board of Directors. The result shows that the Board performs its duty well on directing and overseeing the Company’s management on managing strategies, significant businesses, and risk, and establish adequate and effective internal control system to assure appropriate practice in operation and compliance with the requirements of corporate governance principles.</p> <p>2. The Performance Evaluation of individual Directors covers the following 6 aspects:</p> <table><tr><th>Aspect</th><th>Indicator</th><th>Score</th></tr><tr><td>A. Alignment of the goals and missions of the company</td><td>3</td><td>5</td></tr><tr><td>B. Awareness of the duties of a director</td><td>3</td><td>5</td></tr><tr><td>C. Participation in the operation of the company</td><td>8</td><td>4.91</td></tr><tr><td>D. Management of internal relationship and communication</td><td>3</td><td>5</td></tr><tr><td>E. The director's professionalism and continuing education</td><td>3</td><td>5</td></tr><tr><td>F. Internal control</td><td>3</td><td>4.95</td></tr></table> <p>There are 23 indicators with 6 aspects covered included in the evaluation to</p> | Aspect | Indicator | Score | A. Alignment of the goals and missions of the company | 3 | 5 | B. Awareness of the duties of a director | 3 | 5 | C. Participation in the operation of the company | 8 | 4.91 | D. Management of internal relationship and communication | 3 | 5 | E. The director's professionalism and continuing education | 3 | 5 | F. Internal control | 3 | 4.95 |
| Aspect   | Indicator | Score  |       |  |   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |
| A. Alignment of the goals and missions of the company      | 3         | 5      |       |  |   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |
| B. Awareness of the duties of a director                   | 3         | 5      |       |  |   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |
| C. Participation in the operation of the company           | 8         | 4.91   |       |  |   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |
| D. Management of internal relationship and communication   | 3         | 5      |       |  |   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |
| E. The director's professionalism and continuing education | 3         | 5      |       |  |   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |
| F. Internal control  | 3         | 4.95   |       |  |   |        |           |       |   |   |   |  |   |   |  |   |      |  |   |   |  |   |   |                     |   |      |

| Classification  | Cycle     | Period | Scope                                       | Method   | Description  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |
|---|-----------|--------|---|--|--|--------|-----------|-------|--|---|------|--|---|------|---|---|---|---|---|---|---------------------|---|---|
|   |           |        |   |  | assess the performance of the individual Directors. The result shows that the Directors have positive opinions on the efficiency and effectiveness of all the indicators.  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |
| Functional Committees   |           |        | The committees as a whole by each function. | The self-evaluation of each committee by individual committee members are conducted by questionnaire | <div>The Committee Performance Evaluation covers the following 5 aspects:</div> <table><tr><th>Aspect</th><th>Indicator</th><th>Score</th></tr><tr><td>A. Participation in the operation of the company</td><td>4</td><td>4.94</td></tr><tr><td>B. Awareness of the duties of the functional committee</td><td>7</td><td>4.96</td></tr><tr><td>C. Quality Improvement of the functional committee's decision making.</td><td>7</td><td>5</td></tr><tr><td>D. Composition of the functional committee and the election of its members.</td><td>3</td><td>5</td></tr><tr><td>E. Internal control</td><td>3</td><td>5</td></tr></table> <div>There are 24 indicators with 5 aspects covered included in the evaluation to assess the performance of the individual committee members. The result shows that the members have positive opinions on the efficiency and effectiveness of all the indicators.</div> | Aspect | Indicator | Score | A. Participation in the operation of the company | 4 | 4.94 | B. Awareness of the duties of the functional committee | 7 | 4.96 | C. Quality Improvement of the functional committee's decision making. | 7 | 5 | D. Composition of the functional committee and the election of its members. | 3 | 5 | E. Internal control | 3 | 5 |
| Aspect  | Indicator | Score  |   |  |  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |
| A. Participation in the operation of the company                            | 4         | 4.94   |   |  |  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |
| B. Awareness of the duties of the functional committee                      | 7         | 4.96   |   |  |  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |
| C. Quality Improvement of the functional committee's decision making.       | 7         | 5      |   |  |  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |
| D. Composition of the functional committee and the election of its members. | 3         | 5      |   |  |  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |
| E. Internal control   | 3         | 5      |   |  |  |        |           |       |  |   |      |  |   |      |   |   |   |   |   |   |                     |   |   |

(II) The state of operations of the audit committee or the state of participation in board meetings by the supervisors:

1. Operations of the audit committee: Not applicable

There were 3 meetings of the audit committee held in 2021 (A), and the member attendance is as below:

| Title    | Name          | Attendance<br>in person (B) | Attendance<br>by proxy | Attendance Rate (%)<br>(B/A)(Note 1, Note 2) | Remark |
|----------|---------------|-----------------------------|------------------------|--|--------|
| Convener | Hsu Fang-Yih  | 3                           | -                      | 100.00                                       |        |
| Member   | Cai Wen-Zhi   | 3                           | -                      | 100.00                                       |        |
| Member   | Wu Hsiu       | 3                           | -                      | 100.00                                       |        |
| Member   | Yang Fu-Hsuan | 3                           | -                      | 100.00                                       |        |

Other matters required reporting:

I. The date, session, proposal content of the meeting, any matter about which an independent director expresses an objection, reservation or suggestion, the subsequent resolutions, and the management's response to such opinions shall be specified if any of the following circumstances occurs during the operations of the Committee.

(I) Any circumstance set out in the paragraphs of Article 14-5 of the Securities and Exchange Act: Refer to Table(1) below.

(II) With the exception of the preceding paragraph, any matter undertaken upon the consent of two-thirds or more of all directors instead of being approved with the consent of all audit committee members: None.

II. In the events of recusals of independent directors due to conflicts of interests, the name of the independent director, meeting agenda, reason for the recusals, and the resolution shall be clearly stated: None.

III. The independent directors' communication with the manager of internal audit and the independent CPA (the significant issues of the Company's finance and operation, communication method adopted, and the resolution accordingly shall be included): Refer to Table(2) below.

(1) Any circumstance set out in a subparagraph of Article 14-5 of the Securities and Exchange Act

| Audit Committee                                       | Proposals and follow-ups  | Matters listed in Article 14-5 of the Securities and Exchange Act | Any dissenting or qualified opinion of independent directors |
|---|---|---|--|
| The 1st audit committee the 3rd meeting on 11/05/2021 | 1. The amendment to “Internal Control Policy” and “Internal Audit Policy” | ✓   |  |
|   | Independent director opinion: None.                                       |   |  |
|   | The management’s response to the committee opinions: None.                |   |  |
|   | Resolution: The proposal was approved by all attending committee members. |   |  |
|   | 2. The 2022 annual internal audit plan.                                   | ✓   |  |
|   | Independent director opinion: None.                                       |   |  |
|   | The management’s response to the committee opinions: None.                |   |  |
|   | Resolution: The proposal was approved by all attending committee members. |   |  |

(2) The independent directors’ communication with the manager of internal audit and the independent CPA

① The summary of the communication between the independent directors and the manager of internal audit:

| Date                             | Issues  | Results                                |
|----------------------------------|---|--|
| 01/08/2021<br>Board of Directors | 1. The inspection results of the audit items between October and November in 2020.<br>2. Submitted the improvement plan of the financial statements preparation procedure.  | Approval by all independent directors. |
| 02/26/2021<br>Board of Directors | 1. The inspection results of the audit items on December, 2020.<br>2. The correction report of defects and irregularities of internal control systems in 2020.<br>3. Submitted the improvement of the financial statements preparation procedure. | Approval by all independent directors. |
| 05/07/2021<br>Board of Directors | The inspection results of the audit items in the 1st quarter of 2021.   | Approval by all independent directors. |
| 07/13/2021                       | The inspection results of the audit items   | Approval by all                        |

|   |  |  |
|---|--|--|
| Board of Directors                                      | between April and May in 2021.   | independent directors.                 |
| 08/06/2021<br>Audit Committee and<br>Board of Directors | The inspection results of the audit items in the first half of 2021.   | Approval by all independent directors. |
| 11/05/2021<br>Audit Committee and<br>Board of Directors | 1. The inspection results of the audit items in the 3rd quarter of 2021.<br>2. Formulating the annual internal audit plan in 2022. | Approval by all independent directors. |

② The summary of the communication between the independent directors and the independent CPA:

| Date  | Issues   | Results                                |
|---|--|--|
| 01/08/2021<br>Before the Meeting of the Board | 1. Reported the audit scope and approach, the group-wide scope, fraud risk assessment, identification of the significant risk of material misstatement, and the key audit matters to the independent directors.<br>2. Auditor's Independence Declaration.<br>3. Introduced the concept of "Corporate Governance 3.0 – Sustainable Development Roadmap" to the independent directors. | Approval by all independent directors. |
| 08/06/2021<br>Audit Committee                 | Explication of the exercise of power by audit committee.   | Approval by all independent directors. |

## 2. Participation in board meetings by the supervisors

There were 4 meetings of the Board of Directors held as of July 29, 2021.

| Title      | Name   | Attendance in Person | Attendance Rate (%) | Remark   |
|------------|--|----------------------|---------------------|--|
| Supervisor | Yin Li Investment Inc.<br>Representative: Lin, Jhang A-Jhu | 3                    | 75.00               | The board of directors was re-elected with the audit committee being established in replacement of supervisors at July 30, 2021, there were only 4 meetings asked to attend for supervisors. |
| Supervisor | Wu Min-Zhen  | 4                    | 100.00              |  |

Other matters required reporting:

I. Composition and duties of the supervisors

(I) Supervisors' communication with the employees and shareholders of the Company:

Supervisors of the Company updated the information of the Company via the audit reports provided by either the Board of Directors or the internal audit, or via the relevant data provided by the finance or sales department. In addition, managers of each department shall be asked to make specific reporting when necessary. All stakeholders of the Company, including but not limited to employees, shareholders, and any other interested parties can contact the supervisors of the Company by letters or emails.

(II) Supervisors' communication with the manager of internal audit and the independent C.P.A.:

Supervisors of the Company shall receive the internal audit report completed by the internal audit on a monthly basis or obtain latest result of internal audit work through board meetings. In addition, financial and business data are always available to the supervisors to help making immediate discussion with those charged with governance when necessary. Besides, the audited financial statements and any specific matters to be communicated in accordance with related regulations shall be reported at the meetings of the boards of directors. Supervisors also have direct access to the Company's independent C.P.A. for further discussion and making necessary advice for related managers.

II. When supervisors gives opinion in a board meeting, the date, session, proposal, the resolution of the Board meeting and how the Company deals with such opinions shall be clarified: None

(III) Corporate Governance Implementation Status and any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for any such variance

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”                                |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Abstract Illustration   |   |
| I. Does the company establish and disclose Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies? | ✓                     |    | The Board of Director of the Company has resolved to formulate Corporate Governance Best-Practice Principle on January 29, 2016 and made the disclosure of the principle on its website and internal communication network. | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”                                |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Illustration  |   |
| II. Shareholding structure & shareholders’ rights  |                       |    |  |   |
| (I) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? | ✓                     |    | There are personnel and email box dedicating to shareholders’ suggestions, concerns, disputes or litigation matters  | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| (II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?   | ✓                     |    | The Company regularly updates the shareholding status from its directors, supervisors and top shareholders and maintain healthy community with its top shareholders.   | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| (III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?  | ✓                     |    | The Company has formulated “Procedures for handling transactions with specific companies, affiliated entities and affiliated persons” and “Management guidelines for short and long term investments” with dedicated personnel handing the associated matters. | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| (IV) Does the company establish internal rules against insiders trading of any securities?   | ✓                     |    | The Company has formulated procedures for handing material insider information to prevent insiders trading on undisclosed information.   | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |



| Evaluation Item   | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”                                |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Abstract Illustration  |   |
| III. Composition and Responsibilities of the Board of Directors   |                       |    |  |   |
| (I) Does the Board set up the diversity policy and goals for the composition of its members and implement accordingly?  | ✓                     |    | <p>The Company’s Board of Directors consists of seven members of which four are independent directors. The composition considers diversified backgrounds, professional competence and experience.</p> <p>See page 22-25 for the further information of the board diversity policy, goals, and implementation.</p> <p>The related disclosure of the board diversity policy has been made on the Company’s website and MOPS.</p> | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| (II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee   |                       | ✓  | No functional committees have been set up other than the Remuneration Committee and the Audit Committee .  | The Company will make the relevant planning depends on the future development.  |
| (III) Does the company establish a standard to measure the performance of the Board, and implement it annually and report the results of the evaluation at the Board Meeting and use it as reference for remuneration and the nomination for re-election. | ✓                     |    | On Nov. 06, 2020, the Board of director decided to approval a standard to measure the performance of the Board, and implement it annually and report the results of the evaluation at the Board Meeting.   | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item  | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”                                |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Abstract Illustration   |   |
| (IV) Does the Company regularly evaluate its external auditors’ independence?  | ✓                     |    | The Company evaluates the independence of external auditors regularly, and presented the latest result in the board meeting on January 10, 2022, showed that the CPAs, Chen-Li Chen and Chia-Ling Chiang from Deloitte Taiwan, had fulfilled the independent criteria (Note 2) as the external auditor of the Company and issued the independence declaration (Note 1).   | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| IV. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handle matters relating to board meetings and shareholders’ meetings according to laws, prepare minutes of board meetings and shareholders meetings, etc.?) | ✓                     |    | The Company appointed a corporate governance officer to be in charge of corporate governance affairs on June 1, 2021. The meeting notices with sufficient materials shall be sent to each director no later than 7 days before the scheduled date, and with the reminders if the recusals are necessary due to any conflict of interest occurred. Besides, the Company annually makes official registration for the date of shareholders’ meeting, prepares and files meeting notices, meeting handbooks, and meeting minutes before the regulatory deadlines, and files the change registration of Articles of Incorporation amendment and directors re-election promptly. | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”                                |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Abstract Illustration   |   |
| V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities? | ✓                     |    | The Company maintains multiple communication channels, including telephone hotlines, fax, post and emails, in addition to the Stakeholders section on its official website to reply matters on corporate social responsibilities. | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| VI. Has the Company appointed a professional registrar for its Shareholders’ Meetings?  | ✓                     |    | We have appointed Agency Department China Trust as our registrar for our shareholders’ meetings.  | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |

|   |   |   |   |
|---|---|---|---|
| VII. Information Disclosure   |   |   |   |
| (I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?   | ✓ | The Company disclose the financials business and corporate governance status on our website at <a href="https://www.kingslide.com">https://www.kingslide.com</a> .  | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| (II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?  | ✓ | The dedicated personnel have been assigned to compile required information for public disclosure. The Company has designated spokespersons and dedicated web pages updating schedule of institutional investors’ conferences and the presentation materials.  | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| (III) Does the Company publicly announce and file its annual financial report within two months after the end of a fiscal year, and publicly announce and file its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?   | ✓ | The Company has publicly announced and filed its annual financial report of the year 2021 before the end of February 2022, and reported the financial reports for the first, second and third quarters to the board of directors 7 days before the specified deadline and publicly announced and filed monthly operating reports beforehand within 1 day after the board meeting. | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
| VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the | ✓ | 1. Employee rights and care:<br>Apart from establishing the employee welfare committee that handle company outings, holiday and birthday gifting, various subsidies and children study aids, the Company also sponsors health checkup and shares operating profits to ensure the employees enjoys a sound welfare system.   | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
|   | ✓ | 2. Investor relationship:<br>The Company post information of its  |   |

|  |          |   |  |
|--|----------|---|--|
| <p>implementation of customer relations policies, and purchasing insurance for directors)?</p> | <p>✓</p> | <p>operation to facilitate investors understanding to Market Observation Post System and on its website.</p> <p>3. Supplier relationship:<br/>The Company maintains benign relationship and signs purchase agreements with all its suppliers to clarify the rights and obligations from both parties.</p> <p>✓ 4. Stakeholders' rights:<br/>The Company keeps good communication channels with its banks and creditors, employees, suppliers, communities or any stakeholders, and respects and protects their legitimate rights and interests. In the case of rights of stakeholders are violated, the Company shall handle with the principle of good faith. The Company provides sufficient information to</p> <p>✓ banks and creditors to facilitate understanding on business and financial status for decision making.</p> <p>5. Continuing education for directors and supervisors:<br/>The Company arranges, from time to time, professional training and courses on corporate governance and other matters. The Continuing education for directors and supervisors as per attached list (note 3).</p> <p>✓ 6. Implementation of risk management and measurement:<br/>Matters regarding major operating policies, investment proposals, endorsement guarantees, capital funding and financing and other major proposal are evaluated by the competent departments and executed in accordance with the resolutions of the Board of Directors. The Company adopts a risk presentation policy.</p> | <p>All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies."</p> |
|--|----------|---|--|

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”                                |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Illustration  |   |
|  | ✓                     |    | Apart from formulated relevant system and chapters for internal control operation with the supervision of in-house auditing units, additional insurance policies have purchased to against the associated risks.<br>7. Execution of customer policy<br>The Company has formulated a Handling Procedures of Customer Complaints to handle the compliant from customers. | All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.” |
|  | ✓                     |    | 8. D&O insurance purchase:<br>The Company has stipulated policies of D&O insurance purchase in the Articles of Incorporation. The insurance policies have acquired and remained valid. The status of the insurance policy has presented and review in the Board meeting on 11/05/2021.   |   |
| IX. Improvements made in the most recent year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and prioritized matters and measures to be improved upon for matters that have not been improved.<br>The Company has conducted self evaluation of corporate governance based on the system of the 8 <sup>th</sup> Corporate Governance Evaluation in 2021. According to the result of corporate governance evaluation, the Company is classified into the group of 21% to 35%. The Company has introduced female directors and increased a independent director at the re-election of directors in 2021 General Shareholders’ Meeting and established the audit committee to strengthen the implementation of corporate governance policy. Besides, the Company shall review and evaluate the indicators not scored for the possibility of further improvement in the future. |                       |    |  |   |

Note 1: Statement made by the declaration from Deloitte & Touche

Auditor's Independence Declaration

November 17, 2021 DTTL-K NO#11001331

Recipient: King Slide Works Co., Ltd.

Subject: With respect to the audit of the Company's financial statements for the year ended in 2021, our audit team confirms that we have complied with the following requirements without impairing auditor independence, in compliance with "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10, Integrity, Objectivity and Independence" of the National Federation of CPA Associations of the R.O.C.

Explanation:

- I. Our audit team members, their spouses and relatives entitled to maintenance do not have the following circumstances:
  - (I) Holding any direct or material indirect financial interests of the Company
  - (II) Maintaining an independence-impairing business relationship with the Company and/or its directors or managers
- II. During the audit engagement period, our audit team members, their spouses and relatives entitled to maintenance do not serve as the director, supervisor, manager, or at any position having a direct and significant influence over the audit work
- III. Our audit team members do not have any spouse, lineal family members by blood or by marriage and/or collateral relatives within the second degree who takes a position as the director, supervisor, or manager of the Company.
- IV. Our audit team members do not accept significant gifts and hospitality from the Company and/or its directors, supervisors, managers, or major shareholders.
- V. Our audit team has performed necessary independence/conflict check procedures to assure no independence impairment or unsolved conflicts of interests.

Deloitte & Touche

CPA Chen-Li Chen

CPA Chia-Ling Chiang

Note 2: Evaluation criteria for the independence of external auditors.

| Evaluation Item   | Evaluation result | Complies with independence or not |
|---|-------------------|-----------------------------------|
| 1. Does the independent auditor have direct or material financial interest of the Company?  | No                | Yes                               |
| 2. Does the independent auditor have loans or guarantees with the Company or its directors?   | No                | Yes                               |
| 3. Does the independent auditor have a close business relationship or potential employment relationship with the company  | No                | Yes                               |
| 4. Has the independent auditor or any member of the audit member been, in the past two years, a director or a manager in the Company, or in a position of the Company that were able to exercise great influence to the audit work? | No                | Yes                               |
| 5. Does the independent auditor provide any non-audit service to the Company which would materially impact its audit engagement with the Company?   | No                | Yes                               |
| 6. Does the independent auditor promote or broker shares or any other securities issued by the Company?   | No                | Yes                               |
| 7. Does the independent auditor serve as an advocate or representative for the Company with a third parties in the event of conflict?   | No                | Yes                               |
| 8. Does the independent auditor have family ties with anyone who is a director, manager or any personnel in a position that can make material impacts to the audit engagement?  | No                | Yes                               |



Note3 : The Continuing Educations Attended by Directors in 2021

| Title                | Name          | Date                  | Host  | Course   | Hour | Regulation compliance |
|----------------------|---------------|-----------------------|---|--|------|-----------------------|
| Independent Director | Hsu Fang-Yih  | 12/01/2021            | Taiwan Academy of Banking and Finance       | Enhancing the Ability of Self-preparing Financial Statements: Audit of Internal Control and Application of Information Technology          | 3    | Yes                   |
|                      |               | 12/08/2021            | Taiwan Academy of Banking and Finance       | From Independent Director to Audit Committee: How to Appropriately Exercise its Power from the Perspective of Securities and Exchange Act. | 3    |                       |
| Independent Director | Cai Wen-Zhi   | 12/28/2021-12/29/2021 | The Securities and Futures Institute, R.O.C | Director and Supervisor (Including Independent Director) and Corporate Governance Manager Practice Workshop                                | 12   | Yes                   |
| Independent Director | Wu Hsiu       | 12/28/2021-12/29/2021 | The Securities and Futures Institute, R.O.C | Director and Supervisor (Including Independent Director) and Corporate Governance Manager Practice Workshop                                | 12   | Yes                   |
| Independent Director | Yang Fu-Hsuan | 12/28/2021-12/29/2021 | The Securities and Futures Institute, R.O.C | Director and Supervisor (Including Independent Director) and Corporate Governance Manager Practice Workshop                                | 12   | Yes                   |

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

(1) Remuneration Committee members

December 31, 2021

| Identity Name | Criteria | Professional Qualification and Experience | Independent Criteria | The number of other publicly Traded companies in which the individual is concurrently serving as an Remuneration Committee member |
|---------------|----------|---|----------------------|---|
|---------------|----------|---|----------------------|---|

|                                 |               |   |   |    |
|---------------------------------|---------------|---|---|----|
| Independent Director (convener) | Hsu Fang-Yih  | Refer to the table “Professional qualifications and independence analysis of directors and supervisors” on page 18. | Refer to the table “Professional qualifications and independence analysis of directors and supervisors” on page 18. | No |
| Independent Director            | Cai Wen-Zhi   |   |   | No |
| Independent Director            | Wu Hsiu       |   |   | No |
| Independent Director            | Yang Fu-Hsuan |   |   | No |

## 2. Operational status of Remuneration Committee

- (1) The Company’s Remuneration Committee is composed of 4 members.
- (2) The current committee members started to serve from July 30, 2021 and will end the term on July 29, 2024. A total of 3 meetings (A) were convened during 2021 with the attendance records as follows:

| Title  | Name          | Attendance in Person (B) | by Proxy | Attendance Rate (%) (B/A) (Note) | Remark                            |
|--|---------------|--------------------------|----------|----------------------------------|-----------------------------------|
| Convener   | Lee Wen-Chang | 1                        | -        | 100.00                           | Resigned on 07/30/2021            |
| Convener   | Hsu Fang-Yih  | 3                        | -        | 100.00                           | Elected as convener on 07/30/2021 |
| Member   | Cai Wen-Zhi   | 3                        | -        | 100.00                           |                                   |
| Member   | Wu Hsiu       | 2                        | -        | 100.00                           | On board on 07/30/2021a           |
| Member   | Yang Fu-Hsuan | 2                        | -        | 100.00                           | On board on 07/30/2021            |
| <p>Other matters required reporting:</p> <ol style="list-style-type: none"> <li>1. If the Board does not adopt or revise the suggestions made by the Remuneration Committee, the date of meeting, session number, proposal content, board resolutions, and the Company’s responses to Remuneration Committee opinions should be specified: (if the remuneration approved by the Board is higher than that suggested by the Remuneration Committee, the disparities and reasons should be specified): None.</li> <li>2. If the committee members expressed objections or reservations on record or through written opinions regarding the committee proposals, the date, session, proposal, all committee members’ opinions, and the responses to all of the opinions: None.</li> </ol> |               |                          |          |                                  |                                   |

## (3) The meeting dates, proposals, and resolutions of Remuneration Committee and follow-ups of the Company in 2021.

| Remuneration Committee  | Proposal  | Resolution   | Follow-up  |
|---|---|--|--|
| The 7 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee on 01/08/2021 | 1. Reviewed the Chairman, top managers, and internal auditors’ cash bonus in 2019 and year-end bonus in 2020. | Approved unanimously.                                  | The proposal was already submitted to and passed by a resolution of the 16 <sup>th</sup> session of the 13 <sup>th</sup> board of directors and implemented accordingly. |
| The 1st meeting of the 5 <sup>th</sup> Remuneration Committee on                        | Nominated and elected the convener of the committee.  | Hsu Fang-Yih as the convener was approved unanimously. | Relevant information was filed in accordance with the resolution.  |

|   |   |                       |   |
|---|---|-----------------------|---|
| 07/30/2021  |   |                       |   |
| The 2 <sup>nd</sup> meeting of the 5 <sup>th</sup> Remuneration Committee on 11/05/2021 | <ol style="list-style-type: none"> <li>1. Reviewing the remuneration to the directors and supervisors in 2020.</li> <li>2. Reviewing the Company's "Regulation Governing Employee Salary" and the salary adjustment for the Chairman, top managers, and internal auditors.</li> </ol> | Approved unanimously. | The proposal was already submitted to and passed by a resolution of the 3 <sup>rd</sup> session of the 14 <sup>th</sup> board of directors and implemented accordingly. |

3. Operational status of Nomination Committee: Not applicable

(V) The state of the Company's promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance:

| Promotion Item   | Implementation Status |    |  | Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons                                |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| I. Does the Company establish exclusively (or concurrently) unit and dedicated firstline managers authorized by the board to be in charge of establishing the framework of promoting sustainable development and reporting to the board? | ✓                     |    | <p>A RBA Committee has been set up as the executive unit in charge of implementing the sustainable development programs and formulating related policies.</p> <p>The CEO serves as the chairperson of the RBA committee, and the executive vice president is appointed as the deputy chairperson and management representative to review various RBA issues which are mainly composed of 4 sections for labor, health and safety, environment, and ethics.</p> | All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”. |

|  |          |   |   |
|--|----------|---|---|
| <p>II. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?</p> | <p>✓</p> | <p>For environmental management, the Company has a designated unit to guide relevant departments to obtain the required operation/working licenses in accordance with the relevant provisions of the environmental protection laws and regulations. The Company also adopts the ISO 14001 environmental management system to improve the environmental awareness of relevant departments.</p> <p>Also, in order to effectively implement the management of hazardous substances in all products, the Company adopts the IECQ International Standard for Hazardous Substances Process Management System (IECQ QC080000) in 2018 and passed the certification in January 2019, establishing a complete, systematic and clear management process. Through "process-oriented" approach, from the needs and expectations of stakeholders, management of risks and opportunities, to product design / development, material input to product output, documentation of information, and final satisfaction, the Company implements hazardous substances management, to continue to provide high-quality green products and services.</p> | <p>All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.</p> |
|--|----------|---|---|

|  |   |   |   |
|--|---|---|---|
|  |   | <p>As of the end of 2021, the Company has introduced the following management systems: ISO 9001 Quality Management System, ISO 14001 Environmental management systems, ISO45001 Occupational Health and Safety Management Systems, IECQ QC080000 Hazardous Substance Process Management System Requirements, Taiwan Intellectual Property Management System (TIPS), Authorized Economic Operator (AEO), the RBA Code of Conduct, and the Healthy Workplace Certification promoted by HPA. Through continuous operation of the above management systems, the Company can promptly identify and respond to the risks related to the environment, labor safety, customers, suppliers, etc., in the operation activities.</p> |   |
| <p>III. Environmental Issues</p> <p>(I) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p> | ✓ | <p>The control room and the environmental task force were appointed to implement necessary work regarding to environment, safety and cleanness for law compliance. The Company has received ISO14001, certificate for international environmental governance since 3th September 1999, the last version of ISO14001 is issued in 2015, it will be effective during September 23, 2020 to September 23, 2023.</p>  | <p>All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.</p> |
| <p>(II) Does the Company endeavor to efficiently utilize resources and</p>   | ✓ | <p>The Company actively promotes energy and resource conservation</p>   | <p>All associated matters are being carried out</p>   |

|   |   |   |  |
|---|---|---|--|
| use renewable materials with low environmental impact?  |   | and waste reduction based on the stipulated environmental security policy which includes improvement of the raw material efficiency, reduction of packaging materials, management of garbage classification and recycling, application of wastewater recovery and treatment systems to reuse the treated industrial wastewater, etc., and the Company also dedicates to green products production and energy conservation to reduce the environmental impacts.  | according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.  |
| (III) Does the Company assess the potential risks and possibilities of climate changes to the Company for now and in the future and take measures to respond? | ✓ | <p>To achieve the sustainable development goals, carry out the corporate social responsibility, and further have the positive influence on the economy, environment, and society, the Company has paid great attention to the climate change issues and encouraged the resource reuse, including the introduction of electronic invoices and electronic official document exchange mechanism to improve the efficiency of documents transfer, delivery, and paperwork, and reduce postage cost. Besides, the Company has encouraged the double-sided printing, the placement of recycling bins around the printers, and reuse of scrap papers to reduce the paper waste from the routine work, and has installed energy-saving LED lamps in the office and turned off the lights at the lunch break and off-duty hours to reduce electricity consumption and mitigate global warming.</p> <p>The Company has also dedicated to schedule the replacement plan of the equipments with higher carbon emission and diminishing utilization and efficiency as the routine maintenance work and made the equipments featured with green</p> | All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”. |

|  |  |  |   |  |
|--|--|--|---|--|
|  |  |  | energy and lower carbon emission<br>the high priority in procurement. |  |
|--|--|--|---|--|



|  |          |  |   |
|--|----------|--|---|
| <p>(IV) Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years, and formulate policies on greenhouse gas reduction, water conservation, or other industrial waste reduction?</p> | <p>✓</p> | <p>The Company has set targets to reduce greenhouse gas emissions, water consumption, and industrial waste respectively, and has implemented waste classification and reduction, water and electricity conservation, and other related environmental managements. Besides, the Company has dedicated to the policies on the energy saving and carbon emission reduction to continuously improve the efficiency of the energy utilized in production and mitigate the environmental impacts.</p> <p>The environmental targets are as follows:</p> <ol style="list-style-type: none"> <li>(1) The CO<sub>2</sub>e emission target of King Slide Works Plant reduced to 117.91 tons.</li> <li>(2) The CO<sub>2</sub>e emission target of King Slide Technology Plant reduced to 87.348 tons.</li> <li>(3) The reduction target of water usage in the production process reduced to 14.36 litres per square meter.</li> <li>(4) The reduction target of domestic sewage in King Slide Works Plant reduced to 511.32 litres per person.</li> <li>(5) The water testing result met the water quality standards under the Water Pollution Control Act.</li> <li>(6) The solid waste target reduced to 14.91KG per 1000 product sets.</li> </ol> | <p>All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.</p> |
|--|----------|--|---|

|   |   |  |  |
|---|---|--|--|
|   |   | <p>The measures taken as followed:</p> <ol style="list-style-type: none"> <li>(1) There were several stamping motors of the Molding Section of King Slide Works Co., Ltd. replaced with motors with frequency converters to save electricity.</li> <li>(2) The stamping press in King Slide Works Co., Ltd. was design changed as 100hp frequency converter stamping press to save electricity.</li> <li>(3) There were 61 sets of 500W metal haloid lamps at the 1<sup>st</sup> floor of the 3<sup>rd</sup> subsection of molding section in King Slide Technology Co., Ltd. replaced with the 80W LED light bulbs.</li> <li>(4) The 400T cooling towers in King Slide Technology Co., Ltd. were cleaned regularly to improve the effect of reducing water temperature and shorten the working time of the radiator fans .</li> <li>(5) There were 52 sets of 250W metal haloid lamps of the plastic injection molding section in King Slide Technology Co., Ltd. replaced with 50 sets of 100W LED light bulbs.</li> <li>(6) There were 20 sets of 250W metal haloid lamps by the roadside in the factory of King Slide Technology Co., Ltd. replaced with 12 sets of 100W LED light bulbs.</li> <li>(7) There were 38 sets of 150W coiled lamps of the assembly line I of section P83 of King Slide Technology Co., Ltd. replaced with 56 sets of 80W LED light bulbs.</li> </ol> |  |
| <p>IV. Preserving Public Welfare</p> <p>(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> | ✓ | <p>The Company has formulated a set of work rules according to Labor Standard Act that has reported to the competent authorities and announced to the employees. Apart from complying with the local</p>   | <p>All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for</p> |

|   |   |   |  |
|---|---|---|--|
|   |   | regulations, the Company is also in compliance with Code of Conduct - Responsible Business Alliance, RBA Version, including “Conflict Minerals.”  | TWSE/TPEX Listed Companies”.   |
| (II) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect the results of operating performance in employee remuneration? | ✓ | <p>The matters regarding work relationship, cooperation, employment terms and welfares are bilateral discussed in the regularly-held labor meetings. Please refer to page 144 of this annual report for relevant employee welfare measures.</p> <p>In addition to the provision of employee remuneration in accordance with the Articles of Incorporation, the annual salary adjustment is also calculated in accordance with the relevant measures and reviewed by the Remuneration Committee and the Board of Directors. Therefore, the operating performance or results have been properly reflected in the employee remuneration.</p> | All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”. |
| (III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?  | ✓ | We have formulated the Occupational safety and health committee according to Occupational Safety and Health Act to involve employees in the associated issues through regular meetings. The Company has obtain ISO45001, international certificate for occupational safety and health management system. Further improvements will continue to reinforce the implementation. Staff checkup is conducted regularly every year with various education and promotional activities held for the related topic.  | All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”. |
| (IV) Does the Company provide its employees with career development and training programs?  | ✓ | The Company attaches great importance to the talent developments, constantly strives to improve professional ability, provides a systematic learning system, promotes learning initiatives to employees and   | All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for                              |

|   |   |  |  |
|---|---|--|--|
|   |   | encourages supervisors providing assistance on the side, in order to meet the needs of the Company's business and personal career development. Development scope covers Personal development under performance management, diverse learning courses, continuing education assistances and various levels of learning.  | TWSE/TPEX Listed Companies”.   |
| (V) Does the Company comply with relevant laws, regulations, and international standards for customer health and safety, customer privacy, marketing and labeling of products or services, etc., and develop relevant consumer protection policies and complaint procedures ? | ✓ | <p>All the core products are sold to the distributors; therefore no marketing activities carried out to the end users. Any publicities to the market, including advertisement, promotions and sponsorship are all complied by the laws and regulations. There have not been any illegal or dishonest wrongdoing. The Company has clearly banned Trust activities and dishonest advertisement in the its marketing and fair trade management rules.</p> <p>The Company values customer privacy and intellectual property rights and signs confidentiality agreements with customers to protect customer confidential information.</p> | All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”. |
| (VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?                                    | ✓ | <p>The Company's supplier development strategy is as follows:</p> <ol style="list-style-type: none"> <li>1. Promote global supplier integration to improve procurement efficiency.</li> <li>2. Incorporate human rights and environmental indicators through supplier management to build a green supply chain with suppliers.</li> <li>3. Strengthen policy of local procurement to reduce the environmental footprint of the procurement process and to promote local community economic development.</li> </ol> <p>The evaluation team regularly reviews and formulates supplier</p>  | All associated matters are being carried out according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”. |

|   |   |  |   |  |
|---|---|--|---|--|
|   |   |  | audit plans, plans labor human rights themes, health and safety themes, environmental themes, ethical themes, and management system themes to carry out supplier audit evaluations. If a supplier is found to be in violation of the regulations, the Company will advise the supplier and assist its growth. |  |
| V. Does the Company prepare its non-financial reports such as Sustainable Development Report in accordance with the internationally-used reporting standards or guidelines? Have such reports been assured, verified, or certified by the third-party certification?  | ✓ |  | The Company's Sustainable Development Report was compiled based on GRI Standards but has not yet been certified by any third-party certification body.<br>Webpage: <a href="https://www.kingslide.com/about_csr_report/">https://www.kingslide.com/about_csr_report/</a>                                      | All associated matters are being carried out according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". |
| VI. If the Company has established the sustainable development programs based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company's "Sustainable Development Best Practice Principles" was approved by the Board of Directors on January 29, 2016, and implemented accordingly, without any significant deviation from the principles. |   |  |   |  |

VII. Other important information for better understanding of the Company's sustainable development practices:

1. Environment protection:

To promote the green protection, implement waste recycle and energy saving, we have created a working environment that is ROHS- qualified and continue to lower the pollution and hazard levels to conform with the government regulations and undertake the social responsibility to protect the environment.

2. Community involvement, social contribution activities, human rights, and any other social responsibility activities:

The Company has been involved with various charity and donation events to sponsor disadvantaged individuals and groups to show our care to the needs in the society. Important sponsorship in 2021 are as follows:

- (1) To take care of the local vulnerable groups, the Company donated daily necessities to the Luzhu social welfare center to help the families of immigrant residents.
- (2) To support and encourage the development of campus activities, the Company sponsored the Bike Festival of National Cheng Kung University and the campus recruitment fair of National Kaohsiung University of Science and Technology.
- (3) To assist the epidemic prevention policy of the government, the Company donated a positive pressure testing booth to the screening station set up by the government on the Kaohsiung Science District to help supply medical staffs with the safer environment to collect clinical specimens for COVID-19 testing.
- (4) We collaborate with Andrew Charity Association to donate 20 boxes of Food Boxes every month. These boxes contain foods mainly for the development needs of children aged 4-15. The room temperature Food Boxes contain staple (white rice, noodles), non-staple food (milk powder, meat floss, canned meat and prepared foods, cereals, brewed beverages, long life milk, nutrition biscuits) and inspirational reading materials. We care for children who grow up in poverty and hunger and accompany them through hard times.

3. Consumer rights:

Core products of the Company are sold to the distributors, not the end customers. A "Handling Procedures of Customer Complaints" has formulated to assist report product complaints.

4. Health and safety:

The Company adopt "waste reduction, resource cherishing, green production, environment care, risk management, disaster prevention, law compliance, continuous improvement" to hold up the environmental security policy together with the company employees.

(VI) Ethical corporate management implementation status and any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for any such variance:

| Evaluation Item   | Implementation status: |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons             |
|---|------------------------|----|--|--|
|   | Yes                    | No | Abstract Illustration  |  |
| I. Establishment of ethical corporate management policies and programs  |                        |    |  |  |
| (I) Does the Company establish its ethical corporate management policies which approved by the board of directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitments from its board and higher management to implement the policies??  | ✓                      |    | The Board of the Company adopted the resolution, on 01/29/2016, to formulate “Ethical Corporate Management Principles” and “Code of Ethic Conduct,” which have made available for viewing in the Company website and the internal communication network.   | It is being carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (II) Has the Company established an evaluation mechanism for the risk of unethical conduct? Does the Company regularly analyze and evaluate business activities with a higher risk of unethical conduct in the business scope, and formulate a plan to prevent unethical conduct, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies? | ✓                      |    | The Company has established effective accounting policy and internal control system to prevent the business activities at the higher risk of being involved in an unethical conduct, such as having under-the-table accounts or keeping secret accounts, and conducted reviews regularly to ensure the effectiveness of the design and enforcement of the systems.<br>The Company also requires relevant departments to conduct regular or irregular sampling checks on whether the Company has complied with the Best-Practice Principles, based on which to prevent unethical conduct. | It is being carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (III) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies and review the policies afore mentioned on a regular basis?  | ✓                      |    | The Board of the Company adopted the resolution, on 01/29/2016, to formulate “Ethical Corporate Management Operating Procedures and Code of Conduct,” which has made available for viewing in the Company website. In the meantime, work rules and “Management Procedures for whistle blowing, Filing Complaints and Suggestions” have also created for reinforcement and precautionary purposes.  | It is being carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |

|  |                   |  |   |
|--|-------------------|--|---|
| <p>II. Implementing ethical corporate management</p> <p>(I) Does the Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior provisions in contracts with such counterparties?</p> <p>(II) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics, and report to the Board about any operation policies, and plans and supervision on ethical corporate management policies and prevention program of unethical conduct on a regular basis (at least once a year) ?</p> | <p>✓</p> <p>✓</p> | <p>The Company also reduces the risk of various types of unethical conduct through internal control operations and routine audits.</p> <p>The Company has asked its suppliers sign the Guidelines of Honest Business Conduct of Suppliers and Employees, and Code of Integrity to act upon ethical business conducts. The Company has also signed the supplier honesty and integrity agreement to its customers. There are also measuring regulating corruption, unfair advertisement and trade practices to prevent such events from happening.</p> <p>To ensure full implementation of our ethical management policy, we have assigned the following affairs to the related departments:</p> <p>1. Finance department: Filing work for all work execution and reporting document, as well as the associated tasks and execution supervision.</p> <p>2. Patent and audit office</p> <p>(1) Assisting integrating integrity and ethical value into business strategies and formulating associated preventive measures against mal-practices according to the laws and regulations.</p> <p>(2) Formulating programs for unethical conducts prevention with the associated standard operation procedures and guidelines.</p> <p>(3) Organization and departmental function planning and setting the check-balance and monitoring mechanism for department that comes with greater possibility of mal-practices.</p> <p>3. Administrative division:</p> <p>(1) Promoting and coordinating</p> | <p>It is being carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"</p> <p>It is being carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"</p> |
|--|-------------------|--|---|



|   |   |  |  |   |
|---|---|--|--|---|
|   |   |  | <p>training programs of ethical management policy</p> <p>(2) Whistleblowing system planning and effect review</p> <p>4. Audit office: assisting the Board and the management monitoring and reviewing ethical management policies and related measures by providing the evaluation report to the Board</p>   |   |
| (III) Has the Company formulated and implemented policies to prevent conflicts of interest and provide appropriate ways to record any potential conflicts found?  | ✓ |  | <p>We have formulated “Ethical Corporate Management Principles” and “Ethical Corporate Management Operating Procedures and Code of Conduct,” which have clearly stated conflict of interest prevention and complaint channel. All business units are asked to follow the regulations strictly.</p>   | <p>It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p> |
| (IV) Has the Company established effective accounting and internal control systems for the implementation of policies, prepared audit plans according to the evaluation result of unethical conduct risks, and audit such execution and compliance, or hire external auditors to audit such execution and compliance? | ✓ |  | <p>The company has established a strict accounting system and internal control system. The Company has a dedicated accountant, financial department and internal audit department to perform usual internal control management. The internal auditors will also list the high-risk operations in the annual audit plan for evaluation, and compile the audit results into audit reports regularly submit them to the Supervisor, Independent Directors for review, and attend and report at the Board Meetings. In addition, the financial reports are audited by the CPAs to ensure the fairness of the financial statements.</p> | <p>It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p> |
| (V) Does the Company periodically hold internal and external ethical corporate behavior training?   | ✓ |  | <p>The Company has regular internal and external training program on ethical management.</p>   | <p>It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p> |

|  |   |  |   |  |
|--|---|--|---|--|
| III. Operation of the whistle blowing system   |   |  |   |  |
| (I) Does the Company establish both a reward/punishment system and a whistle blowing hotline? Can the accused be reached by an appropriate person for follow-up?   | ✓ |  | The Company has created “Management Procedures for whistle blowing, Filing Complaints and Suggestions.” Apart from the hotline and mailbox which is handled by the audit office, any illegal conducts can also be reported directly through telephone number or email to vice president or upper managers for further investigation and handling. | It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (II) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?   | ✓ |  | The Company has created “Management Procedures for whistle blowing, Filing Complaints and Suggestions” and “Whistleblower Protection and Anti-Revenge” for complaint handling, follow-up measures to be taken after the investigation is completed, and confidentiality protection.   | It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| (III) Does the company provide proper whistleblower protection?  | ✓ |  | We have set up “Whistleblower Protection and Anti-Revenge” to protect the whistleblower with proper handling procedures.  | It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| IV. Enhancing Information Disclosure   |   |  |   |  |
| (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and Market Observation System, MOPS?  | ✓ |  | The Company has made the related disclosure of Ethical corporate management implementation status on the Company’s website and MOPS.  | It has been carried out as stipulated under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” |
| V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: There’s no significant deviation, as the Company has formulated its “Ethical Corporate Management Principles” based on Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies. |   |  |   |  |
| VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., reviews and amends its policies): None  |   |  |   |  |

(VII) How the Information of the Company's Corporate Governance Policy can be Obtained in Public:

The Company has disclosed the information about its corporate governance policy and associated regulations in the investor relation section on the Company website, <https://www.kingslide.com> and Market Observation Post System.

(VIII) Other information providing a better understanding of the company's corporate governance status: please refer to page 36 in this annual report.

(IX) Implementation of the Company's internal control system

1. Internal Control System Statement: Please refer to Page 144 in this annual report.
2. CPA review report on assessment of internal controls: Not applicable

(X) Any legal penalty imposed on the Company or its internal staff, or any disciplinary penalty the Company has imposed on its internal staff for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, the penalty, main deficiencies, and improvements in the most recent fiscal year and the current fiscal year up to the publication date of this annual report: None

(XI) Major Resolutions of Annual Shareholders' Meeting and Board Meetings in the Most Recent Fiscal Year and the Current Fiscal Year up to the Publication Date of this Annual Report:

1. Important resolutions of the annual shareholders' meeting on July 30, 2021 and the implementation status:

- (1) Approved the 2020 business report and financial statements.
- (2) Approved the 2020 earnings distribution.

Implementation status: The dividend base date was set on September 01, 2021 and the distribution date was set on September 30, 2021. (A cash dividend of NT\$ 6.12/share)

- (3) The partial amendment to the Company's "Articles of Incorporation" was adopted.

Implementation status: The amendment was approved with the MOEACA's Approval Letter for the change of the re-elected directors and amended "Articles of Incorporation" in the Company's registration file at August 20, 2021 and has been implemented accordingly.

- (4) The partial amendment to the Company's "Procedures for Election of Directors and Supervisors" was adopted.

Implementation status: The amendment was publicly announced on the Company's website at August 11, 2021 and has been implemented accordingly.

- (5) The partial amendment to the Company's "Procedures for Acquisition or Disposition of Assets" was adopted.

Implementation status: The amendment was publicly announced on the Company's website at August 11, 2021 and has been implemented accordingly.

2. Important resolutions of the Board of Directors during the most recent fiscal year and up to the publication date of the annual report:

| Board meeting  | Major resolutions:  |
|--|---|
| The 16 <sup>th</sup> Session of the 13 <sup>th</sup> Board on 01/08/2021 | <ol style="list-style-type: none"> <li>1. Approved the 2021 financial budget.</li> <li>2. Approved the distribution amount of 2019 employee cash bonus and 2020 year-end bonus for the Chairman, top managers, and internal auditors.</li> <li>3. Approved the amendment to "Accounting Policy", "Internal Control Policy", and "Internal Audit Implementation Rules".</li> </ol>   |
| The 17 <sup>th</sup> Session of the 13 <sup>th</sup> Board on 02/26/2021 | <ol style="list-style-type: none"> <li>1. Approved the 2020 financial statements, consolidated financial statements, and business report.</li> <li>2. Approved the 2020 profit sharing plan for employees and directors and supervisors.</li> <li>3. Approved 2021 annual shareholders' meeting date.</li> <li>4. Approved the venue and period of accepting shareholders' suggestions for 2020 annual shareholders' meeting.</li> <li>5. Approved the period and venue for shareholders to submit proposals to discussed at 2021 annual shareholders' meeting.</li> <li>6. Approved the period, numbers to be elected, and venue for nomination of Directors (Independent Directors included).</li> <li>7. Approved the 2020 earnings distribution.</li> <li>8. Approved the amendment to "Articles of Incorporation".</li> <li>9. Approved the amendment to "Procedures for Election of Directors and Supervisors".</li> <li>10. Approved the amendment to "Procedures for Acquisition or Disposition of Assets".</li> <li>11. Approved the 2020 Internal Control System Statement.</li> <li>12. Approved the candidates of Director ( Independent Director included) nominated by the Board of Directors.</li> </ol> |

| Board meeting  | Major resolutions:  |
|--|---|
| The 18 <sup>th</sup> Session of the 13 <sup>th</sup> Board on 05/07/2021 | <ol style="list-style-type: none"> <li>1. Approved the professional fees to Deloitte &amp; Touche for 2021 auditing services.</li> <li>2. Approved the Company's "Audit Committee Charter".</li> <li>3. Approved the amendment to "Regulations Governing Procedure for Board of Directors Meetings".</li> <li>4. Approved the amendment to the Company's "Remuneration Committee Charter".</li> <li>5. Appointed a new Corporate Governance Officer.</li> </ol>   |
| The 19 <sup>th</sup> Session of the 13 <sup>th</sup> Board on 07/13/2021 | <ol style="list-style-type: none"> <li>1. Approved the change of the date and place of 2021 annual meeting of shareholders.</li> </ol>  |
| The 1 <sup>st</sup> Session of the 14 <sup>th</sup> Board on 07/30/2021  | <ol style="list-style-type: none"> <li>1. Elected the chairmen of the Board of directors.</li> <li>2. Appointed and approved the members of the 5<sup>th</sup> Remuneration Committee.</li> </ol>   |
| The 2 <sup>nd</sup> Session of the 14 <sup>th</sup> Board on 08/06/2021  | <ol style="list-style-type: none"> <li>1. Approved the application of comprehensive credit line from Chang Hwa Commercial Bank.</li> <li>2. Approved the land acquisition project.</li> <li>3. Approved the base date and distribution date of cash dividend distribution.</li> </ol>   |
| The 3 <sup>rd</sup> Session of the 14 <sup>th</sup> Board on 11/05/2021  | <ol style="list-style-type: none"> <li>1. Approved the amendment to "Corporate Governance Principles"</li> <li>2. Approved the amendment to "Corporate Social Responsibility Principles".</li> <li>3. Approved the amendment to "Ethical Corporate Management Principles".</li> <li>4. Approved the amendment to "Ethical Corporate Management Operating Procedures and Code of Conduct".</li> <li>5. Approved the amendment to "Code of Ethic Conduct".</li> <li>6. Approved the amendment to "Internal Control Policy" and "Internal Audit Policy".</li> <li>7. Approved the 2022 annual internal audit plan.</li> <li>8. Approved remuneration to the directors and supervisors for 2020 service.</li> <li>9. Approved the salary adjustment project for the Chairman, top managers, and internal auditors.</li> </ol> |
| The 4 <sup>th</sup> Session of the 14 <sup>th</sup> Board on 01/10/2022  | <ol style="list-style-type: none"> <li>1. Approved the amendment to "Standard Operating Procedures for Handling Requests Made by Directors".</li> <li>2. Approved the 2022 financial budget.</li> <li>3. Approved the distribution amount of 2020 employee cash bonus and 2021 year-end bonus for the Chairman, top managers, and internal auditors.</li> </ol>   |
| The 5 <sup>th</sup> Session of the 14 <sup>th</sup> Board on             | <ol style="list-style-type: none"> <li>1. Approved the 2021 business report, financial report, and consolidated financial report.</li> </ol>  |

| Board meeting   | Major resolutions:   |
|---|--|
| 02/25/2022  | <ol style="list-style-type: none"> <li>2. Approved the 2021 profit distribution for employees and directors and supervisors.</li> <li>3. Approved 2022 annual shareholders' meeting date.</li> <li>4. Approved the period and venue for shareholders to submit proposals to discuss at 2022 annual shareholders' meeting.</li> <li>5. Approved the 2021 earnings distribution.</li> <li>6. Approved the 2021 Internal Control System Statement.</li> </ol> |
| The 6 <sup>th</sup> Session of the 14 <sup>th</sup> Board on 05/06/2022 | <ol style="list-style-type: none"> <li>1. Approved the evaluation on the certified CPA's independence and the professional fees of Deloitte &amp; Touche for 2022 auditing services.</li> <li>2. Approved the amendment to "Corporate Social Responsibility Principles".</li> <li>3. Approved the salary adjustment project for the Chairman, top managers, and internal auditors.</li> </ol>  |

(XII) Any recorded or written dissenting opinions of directors or supervisor related to important resolutions passed by the board of directors during the most recent fiscal year and up to the publication date of the annual report: None.

(XIII) Any Resignations or dismissals of the Company's chairman, president, accounting manager, financial manager, internal audit manager, corporate governance manager and research and development manager during the most recent fiscal year and up to the publication date of this annual report: None.

## V. Information on CPA professional fee

### CPA Professional Fees

Unit: NT\$ thousands

| CPA Firm          | Name of CPAs     | Period Covered by CPA's Audit | Audit fees | Non-audit fees | Total | Remark |
|-------------------|------------------|-------------------------------|------------|----------------|-------|--------|
| Deloitte & Touche | Chen-Li Chen     | 01/01/2021                    | 2,610      | 658            | 3,268 |        |
|                   | Chia-Ling Chiang | ~<br>12/31/2021               |            |                |       |        |

Note: The non-audit fees were mainly composed with the payment of transfer pricing report, financial statements review, tax service of the business tax adjusted by direct deduction method, annual maintenance fee of the subsidiaries in Samoa and Hong Kong, and so forth.

- (I) Whether the Company changes its accounting firm and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change: None.
- (II) Whether the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

## VI. Replacement of CPA:

### (I) Information regarding the former CPA

|   |  |                |                                    |             |
|---|--|----------------|------------------------------------|-------------|
| Date of Replacement   | Approved by the Board of Directors on February 26, 2020  |                |                                    |             |
| Replacement explanation   | 1. Due to the internal rotation of the accounting firm, Deloitte&Touche, Wu Chiu-Yen and Kuo Lee-Yuan as the independent auditors for the Company were succeeded by Chen Jhen-Li and Kuo Lee-Yuan.<br>2. Due to the internal rotation of the accounting firm, Deloitte&Touche, Chen Jhen-Li and Kuo Lee-Yuan as the independent auditors for the Company were succeeded by Chen Jhen-Li and Chiang Jia-Ling. |                |                                    |             |
| Specify whether the appointment is terminated or unaccepted by the Company or the CPA.  | Parties  |                | CPA                                | The Company |
|   | Status   |                | Not applicable                     |             |
|   | Voluntray Termination of appointment   |                |                                    |             |
|   | No longer accepted (continued) appointment   |                |                                    |             |
| Reasons and opinion for issuing audit reports expressing other than unmodified opinion over the past two years  | None   |                |                                    |             |
| Any disagreement with the company   | Yes  |                | Accounting principles or practices |             |
|   |  |                | Disclosure of Financial Statements |             |
|   |  |                | Audit scope or procedures          |             |
|   |  |                | Others                             |             |
|   | None   |                |                                    |             |
|   | Specifica tion:  | Not applicable |                                    |             |
| Other disclosures<br>(The facts which should be disclosed as required under Article 10, Subparagraph 5, Item 1(4) of the Regulations Governing Information to be Published in Annual Reports of Public Companies) | None   |                |                                    |             |



(II) Information regarding the successor CPA

|   |   |
|---|---|
| Name of accounting firm   | Deloitte & Touche   |
| Name of CPA   | 1. Chen-Li Chen and Kuo Lee-Yuan<br>2. Chen-Li Chen and Chiang Jia-Ling |
| Date of appointment   | Approved by the Board of Directors on February 26, 2020                 |
| Consultation subjects and results on accounting treatments or application of accounting principles to specific transactions and possible audit opinion might be rendered by the CPA on the Company's financial reports prior to the formal engagement | Not applicable  |
| The successor CPA's written opinion of disagreement with the former CPA   | Not applicable  |

(III) Written reply by the former CPAs about the disclosure as required under Article 10, Subparagraph 5, Item 1 and 2(III) under the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

**VII. The facts about the Company chairman, president, or any managers in charge of financial or accounting affairs having served at the accounting firm of its CPA or any affiliates thereof in the most recent fiscal year: None**

**VIII. Any transfer of shares or change of pledged shares of the directors, supervisors, managers, or any shareholders with a shareholding more than 10% during the most recent fiscal year and up to the publication date of the annual report**

(I) Changes in shareholding of directors, supervisors, managers and major shareholders

Unit: one share

| Title    | Name          | 2021                        |                                     | As of May 01, 2022          |                                     |
|----------|---------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|          |               | Holding increase (decrease) | Pledged holding increase (decrease) | Holding increase (decrease) | Pledged holding increase (decrease) |
| Chairman | Lin Tsung-Chi | —                           | —                                   | —                           | —                                   |

|   |                           |         |   |   |   |
|---|---------------------------|---------|---|---|---|
| Director  | Long Shen Investment Inc. | —       | — | — | — |
| Director Resigned on 07/30/2021                     | Chiu Yen-Chih             | —       | — | — | — |
| Director and Vice President                         | Wang Chun-Chiang          | 204,000 | — | — | — |
| Independent Director Resigned on 07/30/2021         | Lee Wen-Chang             | —       | — | — | — |
| Independent Director                                | Hsu Fang-Yih              | —       | — | — | — |
| Independent Director                                | Cai Wen-Zhi               | —       | — | — | — |
| Independent Director on board on 07/30/2021         | Wu Hsiu                   | —       | — | — | — |
| Independent Director on board on 07/30/2021         | Yang Fu-Hsuan             | —       | — | — | — |
| Supervisor Resigned on 07/30/2021                   | Yin Li Investment Inc.    | —       | — | — | — |
| Supervisor Resigned on 07/30/2021                   | Wu Min-Zhen               | —       | — | — | — |
| President   | Lin Shu-Chen              | —       | — | — | — |
| Assistant President                                 | Fang Bing-Huang           | 1,000   | — | — | — |
| Financial Manager                                   | Xue Ya-Ling               | —       | — | — | — |
| Accounting Manager                                  | Chen Yi-Nian              | —       | — | — | — |
| Corporate Governance Officer on board on 07/30/2021 | Ching-Te Cheng            | —       | — | — | — |

※ The shareholding information disclosed above was the filed figures to the competent authorities during the middle of the term. No disclosures are required for holding before/after the terms.

(II) The counterparty in any of the share transfer of the directors, supervisors, managers, and major shareholders is a related party: None

(III) The counterparty in any of the share pledge of the directors, supervisors, managers, and major shareholders is a related party: None

**IX. Top-10 shareholders who are a related party, spouse, or a relative within the second degree of kinship of another**

As of 05/01/2022; Unit: One share

| Name   | shareholding |       | Spouse & Minor |       | Shareholding by nominee arrangement |   | Name and relationship of the Company's top-10 shareholders who are a related party, spouses or relatives within two degrees of kinship                     |   | Remark |
|--|--------------|-------|----------------|-------|-------------------------------------|---|--|---|--------|
|  | shares       | %     | shares         | %     | shares                              | % | Title (name)   | Relationship  |        |
| Lin Tsung-Chi                                    | 8,260,121    | 8.67% | 1,961,551      | 2.06% | —                                   | — | Hai Hu Investment Inc.<br>Hong-Yi Investment Inc.<br>Long Shen Investment Inc.<br>Sheng-Xuan Investment Inc.<br>Hui Ying Investment Inc.<br>Lin Tsung-Lung | A first-degree relative of the Chairman<br>A first-degree relative of the Chairman<br>A first-degree relative of the Chairman<br>A first-degree relative of the Chairman<br>A first-degree relative of the Chairman<br>Father and son |        |
| Hai Hu Investment Inc.<br>Chairman: Lin Shu-Hui  | 6,547,207    | 6.87% | —              | —     | —                                   | — | Lin Tsung-Chi<br>Hong-Yi Investment Inc.<br>Long Shen Investment Inc.  | Father and daughter<br>The Chairman of the entity<br>A second-degree relative of the Chairman   |        |
|  | 1,333,705    | 1.40% | —              | —     | —                                   | — | Sheng-Xuan Investment Inc.<br>Hui Ying Investment Inc.<br>Lin Tsung-Lung   | A second-degree relative of the Chairman<br>A second-degree relative of the Chairman<br>Siblings  |        |
| Hong-Yi Investment Inc.<br>Chairman: Lin Shu-Hui | 6,232,767    | 6.54% | —              | —     | —                                   | — | Lin Tsung-Chi<br>Hai Hu Investment Inc.<br>Long Shen Investment Inc.   | Father and daughter<br>The Chairman of the entity<br>A second-degree relative of the Chairman   |        |
|  | 687,549      | 0.72% | 79,963         | 0.08% | —                                   | — | Sheng-Xuan Investment Inc.<br>Hui Ying Investment Inc.<br>Lin Tsung-Lung   | A second-degree relative of the Chairman<br>A second-degree relative of the Chairman<br>Siblings  |        |
| Fubon Life Insurance Co., Ltd.                   | 5,716,000    | 6.00% | —              | —     | —                                   | — | —  | —   |        |
| Hong-Yi Investment Inc.<br>Chairman: Lin Shu-Hui | 5,684,232    | 5.96% | —              | —     | —                                   | — | Lin Tsung-Chi<br>Hong-Yi Investment Inc.<br>Long Shen Investment Inc.  | Father and daughter<br>The Chairman of the entity<br>A second-degree relative of the Chairman   |        |
|  | 1,333,705    | 1.40% | —              | —     | —                                   | — | Sheng-Xuan Investment Inc.<br>Hui Ying Investment Inc.<br>Lin Tsung-Lung   | A second-degree relative of the Chairman<br>A second-degree relative of the Chairman<br>Siblings  |        |
| Cathay Life Insurance Co., Ltd.                  | 5,005,000    | 5.25% | —              | —     | —                                   | — | —  | —   |        |
| Nanshan Life Insurance Co., Ltd.                 | 4,830,000    | 5.07% | —              | —     | —                                   | — | —  | —   |        |

| Name                       | shareholding |       | Spouse & Minor |       | Shareholding by nominee arrangement |   | Name and relationship of the Company's top-10 shareholders who are a related party, spouses or relatives within two degrees of kinship |  | Remark |
|----------------------------|--------------|-------|----------------|-------|-------------------------------------|---|--|--|--------|
|                            | shares       | %     | shares         | %     | shares                              | % | Title (name)   | Relationship                             |        |
| Sheng-Xuan Investment Inc. | 4,385,035    | 4.60% | —              | —     | —                                   | — | Lin Tsung-Chi  | Father and daughter                      |        |
| Chairman: Lin Shu-Hua      | 810,776      | 0.85% | 5,000          | 0.01% | —                                   | — | Hai Hu Investment Inc  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Hong-Yi Investment Inc.  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Long Shen Investment Inc.  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Hui Ying Investment Inc.   | The Chairman of the entity               |        |
|                            |              |       |                |       |                                     |   | Lin Tsung-Lung   | Siblings                                 |        |
| Hui Ying Investment Inc.   | 3,855,606    | 4.05% | —              | —     | —                                   | — | Lin Tsung-Chi  | Father and daughter                      |        |
| Chairman: Lin Shu-Hua      | 810,776      | 0.85% | 5,000          | 0.01% | —                                   | — | Hai Hu Investment Inc  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Hong-Yi Investment Inc.  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Long Shen Investment Inc.  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Sheng-Xuan Investment Inc.   | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Lin Tsung Lung   | The Chairman of the entity               |        |
|                            |              |       |                |       |                                     |   |  | Siblings                                 |        |
| Lin Tsung-Lung             | 2,544,790    | 2.67% | 596,138        | 0.63% | —                                   | — | Lin Tsung-Chi  | Father and son                           |        |
|                            |              |       |                |       |                                     |   | Hai Hu Investment Inc  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Hong-Yi Investment Inc.  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Long Shen Investment Inc.  | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Sheng-Xuan Investment Inc.   | A second-degree relative of the Chairman |        |
|                            |              |       |                |       |                                     |   | Hui Ying Investment Inc.   | A second-degree relative of the Chairman |        |

**X. The total number of shares and total equity stake of any re-invested enterprises held by the Company, its directors, supervisors, managers, and the business that is controlled either directly or indirectly by the Company**

December 31, 2021; Unit: thousand shares

| Re-invested enterprises                    | Investment made by the Company |      | Investments made by the Company's directors, supervisors, managers, and the business directly or indirectly controlled by the Company |   | Total investment |      |
|--|--------------------------------|------|---|---|------------------|------|
|  | shares                         | %    | shares  | % | shares           | %    |
| King Slide USA, Inc.                       | 200                            | 100% | —   | — | 200              | 100% |
| King Slide Technology Co., Ltd.            | 112,600                        | 100% | —   | — | 112,600          | 100% |
| King Slide (Samoa) Co., Ltd.               | 5,000                          | 100% | —   | — | 5,000            | 100% |
| King Slide (Hong Kong) Co., Limited        | 5,000                          | 100% | —   | — | 5,000            | 100% |
| King Slide Technology (China) Co., Ltd.    | —                              | 100% | —   | — | —                | 100% |
| King Slide Technology (Shenzhen) Co., Ltd. | —                              | 100% | —   | — | —                | 100% |

## Four. Capital

### I. Capital and shares

#### (I) Sources of capital

##### 1. Capital Formation

May 01, 2022; Unit: Share/NT\$

| Month/<br>Year | Issue<br>price | Authorized capital |             | Paid-in capital |             | Remark  |   |   |
|----------------|----------------|--------------------|-------------|-----------------|-------------|---|---|---|
|                |                | Shares             | Amount      | Shares          | Amount      | Capital source  | Capital contributed by the property other than cash | Other   |
| 09/1986        | 10             | 1,000,000          | 10,000,000  | 1,000,000       | 10,000,000  | Founding capital  | —   | 12/02/1986 Ri Jing (75) Jian Yi Zi #333135    |
| 02/1987        | 10             | 4,000,000          | 40,000,000  | 4,000,000       | 40,000,000  | Capital increase of NT\$ 30,000,000 in cash   | —   | 02/26/1987 Ri Jing (76) Shang Zi #08643       |
| 07/1994        | 10             | 9,500,000          | 95,000,000  | 9,500,000       | 95,000,000  | Capital increase of NT\$ 55,000,000 in cash   | —   | 07/09/1994 Jian San Being (83) Zi #344233     |
| 03/1998        | 10             | 15,800,000         | 158,000,000 | 15,800,000      | 158,000,000 | Capital increase of NT\$ 63,000,000 by capital surplus  | —   | 04/28/1998 Ri Jing (087) Shang Zi #108624     |
| 11/1999        | 10             | 27,800,000         | 278,000,000 | 18,800,000      | 188,000,000 | Capital increase of NT\$ 30,000,000 by earnings   | —   | 11/15/1999 Ri Jing (088) Shang Zi #088141204  |
| 10/2000        | 10             | 38,000,000         | 380,000,000 | 38,000,000      | 380,000,000 | Capital increase of NT\$ 135,600,000 in cash and NT\$ 56,400,000 by earnings  | —   | 11/16/1990 Ri Jing (089) Shang Zi #089142802  |
| 10/2003        | 10             | 38,760,000         | 387,600,000 | 38,760,000      | 387,600,000 | Capital increase of NT\$ 7,600,000 by earnings  | —   | 10/29/2003 Ri Jing Shou Zhong Zi #09232870270 |
| 04/2004        | 10             | 48,000,000         | 480,000,000 | 38,760,000      | 387,600,000 | Authorized capital increased to 48,000,000 shares from 38,760,000 shares, of which 2,500,000 shares was reserved for issuance of employee stock options | —   |   |
| 08/2005        | 10             | 80,000,000         | 800,000,000 | 55,428,000      | 554,280,000 | Authorized capital increased to 80,000,000 shares from 48,000,000 shares. Capital increase of NT\$ 166,680,000 by earnings.                             | —   | 08/24/2005 Ri Jing Shou Shang Zi #09401166440 |
| 08/2006        | 10             | 80,000,000         | 800,000,000 | 67,120,000      | 671,200,000 | Capital increase of NT\$ 116,920,000  | —   | 09/05/2006 Ri Jing Shou Shang                 |

| Month/<br>Year | Issue<br>price | Authorized capital |               | Paid-in capital |             | Remark  |   |   |
|----------------|----------------|--------------------|---------------|-----------------|-------------|---|---|---|
|                |                | Shares             | Amount        | Shares          | Amount      | Capital source  | Capital contributed by the property other than cash | Other   |
|                |                |                    |               |                 |             | by earnings   |   | Zi #09501198990                               |
| 09/2007        | 10             | 100,000,000        | 1,000,000,000 | 74,332,000      | 743,320,000 | Capital increase of NT\$ 72,120,000 by earnings   | —   | 09/29/2007 Ri Jing Shou Shang Zi #09601238020 |
| 10/2007        | 10             | 100,000,000        | 1,000,000,000 | 74,376,247      | 743,762,470 | Capital increase of NT\$ 442,470 by bond conversion   | —   | 11/07/2007 Ri Jing Shou Shang Zi #09601272380 |
| 08/2008        | 10             | 100,000,000        | 1,000,000,000 | 78,504,059      | 785,040,590 | Capital increase of NT\$ 41,278,120 by earnings   | —   | 09/02/2008 Ri Jing Shou Shang Zi #09701220640 |
| 09/2009        | 10             | 100,000,000        | 1,000,000,000 | 87,022,273      | 870,222,730 | Capital increase of 8,518,214 shares by issuance of new bonus shares, of which 7,850,403 shares as stock dividends and 667,808 shares as employee bonus shares. | —   | 09/17/2009 Ri Jing Shou Shang Zi #09801214680 |
| 12/2009        | 10             | 100,000,000        | 1,000,000,000 | 87,138,588      | 871,385,880 | Capital increase of NT\$ 1,163,150 by bond conversion   | —   | 12/15/2009 Ri Jing Shou Shang Zi #09801288640 |
| 06/2010        | 10             | 100,000,000        | 1,000,000,000 | 87,386,978      | 873,869,780 | Capital increase of NT\$ 2,483,900 by bond conversion   | —   | 06/18/2010 Ri Jing Shou Shang Zi #09901126330 |
| 09/2010        | 10             | 138,000,000        | 1,380,000,000 | 92,120,183      | 921,201,830 | Capital increase of NT\$ 43,866,750 by earnings and NT\$ 3,465,300 by bond conversion   | —   | 09/15/2010 Ri Jing Shou Shang Zi #09901209210 |
| 03/2012        | 10             | 138,000,000        | 1,380,000,000 | 92,321,927      | 923,219,270 | Capital increase of NT\$ 2,017,440 by bond conversion   | —   | 04/02/2012 Ri Jing Shou Shang Zi #10101057510 |
| 06/2013        | 10             | 138,000,000        | 1,380,000,000 | 93,497,092      | 934,970,920 | Capital increase of NT\$ 11,751,650 by bond conversion  | —   | 06/18/2013 Ri Jing Shou Shang Zi #10201112720 |
| 09/2013        | 10             | 138,000,000        | 1,380,000,000 | 94,395,779      | 943,957,790 | Capital increase of NT\$ 8,986,870 by bond conversion   | —   | 09/17/2013 Ri Jing Shou Shang Zi #10201193750 |
| 12/2013        | 10             | 138,000,000        | 1,380,000,000 | 94,657,690      | 946,576,090 | Capital increase of NT\$ 2,619,110 by bond conversion   | —   | 12/27/2013 Ri Jing Shou Shang Zi #10201264190 |
| 03/2014        | 10             | 138,000,000        | 1,380,000,000 | 95,297,072      | 952,970,720 | Capital increase of NT\$ 6,393,820 by bond conversion   | —   | 04/02/2014 Ri Jing Shou Shang Zi #10301055370 |



2. Share types

As of 05/01/2022; Unit: One share

| Share Types     | Authorized Capital |           |                 |             | Remark |
|-----------------|--------------------|-----------|-----------------|-------------|--------|
|                 | Outstanding shares |           | Unissued shares | Total       |        |
|                 | Listed             | Un-listed |                 |             |        |
| Ordinary shares | 95,297,072         | —         | 42,702,928      | 138,000,000 |        |

3. Information for shelf registration: Not applicable

(II) Shareholder structure

As of May 01, 2022

| Shareholder Structure<br>Quantity | Government agencies | Financial institutions | Other juristic person | Individuals | Foreign institutions and individuals | Total      |
|-----------------------------------|---------------------|------------------------|-----------------------|-------------|--------------------------------------|------------|
| Number of shareholders            | 0                   | 12                     | 75                    | 2,132       | 157                                  | 2,376      |
| shareholding (shares)             | 0                   | 16,703,000             | 32,016,607            | 29,668,303  | 16,909,162                           | 95,297,072 |
| Shareholding(%)                   | 0.00%               | 17.53%                 | 33.60%                | 31.13%      | 17.74%                               | 100.00%    |

(III) Distribution of share ownership

1. Ordinary shares

NT\$ 10 par

As of May 01, 2022

| Shareholding class     | Number of shareholders | Shareholding (shares) | Shareholding (%) |
|------------------------|------------------------|-----------------------|------------------|
| 1 ~ 999                | 1,098                  | 136,919               | 0.14%            |
| 1,000 ~ 5,000          | 853                    | 1,603,050             | 1.68%            |
| 5,001 ~ 10,000         | 120                    | 925,056               | 0.97%            |
| 10,001 ~ 15,000        | 55                     | 707,421               | 0.74%            |
| 15,001 ~ 20,000        | 35                     | 619,962               | 0.65%            |
| 20,001 ~ 30,000        | 46                     | 1,137,206             | 1.19%            |
| 30,001 ~ 40,000        | 21                     | 734,070               | 0.77%            |
| 40,001 ~ 50,000        | 16                     | 719,000               | 0.75%            |
| 50,001 ~ 100,000       | 49                     | 3,403,502             | 3.57%            |
| 100,001 ~ 200,000      | 32                     | 4,368,516             | 4.58%            |
| 200,001 ~ 400,000      | 15                     | 4,318,903             | 4.53%            |
| 400,001 ~ 600,000      | 10                     | 4,727,588             | 4.97%            |
| 600,001 ~ 800,000      | 5                      | 3,407,549             | 3.58%            |
| 800,001 ~ 1,000,000    | 3                      | 2,536,706             | 2.66%            |
| More than \$ 1,000,001 | 18                     | 65,951,624            | 69.22%           |
| Total                  | 2,376                  | 95,297,072            | 100.00%          |

2. Preferred shares: None.

(IV) List of major shareholders

The name, number of shares, and stake held of the shareholders with a stake of 5% or more, or of all the shareholders who rank in the top 10 in shareholding percentage, if those are fewer than 10 shareholders

As of May 01, 2022

| Shareholder                      | Shares | Shareholding (shares) | Shareholding (%) |
|----------------------------------|--------|-----------------------|------------------|
| Lin Tsung-Chi                    |        | 8,260,121             | 8.67%            |
| Hai Hu Investment Inc.           |        | 6,547,207             | 6.87%            |
| Long Shen Investment Inc.        |        | 6,232,767             | 6.54%            |
| Fubon Life Insurance Co., Ltd.   |        | 5,716,000             | 6.00%            |
| Hong-Yi Investment Inc.          |        | 5,684,232             | 5.96%            |
| Cathay Life Insurance Co., Ltd.  |        | 5,005,000             | 5.25%            |
| Nanshan Life Insurance Co., Ltd. |        | 4,830,000             | 5.07%            |
| Sheng-Xuan Investment Inc.       |        | 4,385,035             | 4.60%            |
| Hui Ying Investment Inc.         |        | 3,855,606             | 4.05%            |
| Lin Tsung-Lung                   |        | 2,544,790             | 2.67%            |

(V) Per share information, including market price, net worth, earnings, and dividends, and the related information in the past two years

Unit: NT\$

| Item \ Year                        |  |                              | 2020   | 2021     | As of<br>March 31, 2022 |
|------------------------------------|--|------------------------------|--------|----------|-------------------------|
| market<br>price<br>per share       | Highest<br>market price                      | Before adjustment            | 374.50 | 539.00   | 524.00                  |
|                                    |  | After adjustment<br>(Note 1) |        |          |                         |
|                                    | Lowest<br>market price                       | Before adjustment            | 271.00 | 285.00   | 403.50                  |
|                                    |  | After adjustment<br>(Note 1) |        | 278.88   |                         |
|                                    | Average market price                         |                              | 317.94 | 379.75   | 447.67                  |
| net worth<br>per share<br>(Note 2) | Before distribution                          |                              | 116.70 | 132.25   | 141.85                  |
|                                    | After distribution                           |                              | 110.58 | (Note 8) | (Note 8)                |
| Earnings<br>per share<br>(Note 3)  | Weighted average shares (thousand shares)    |                              | 95,297 | 95,297   | 95,297                  |
|                                    | Before adjustment                            |                              | 12.22  | 21.75    | 9.55                    |
|                                    | After adjustment                             |                              | 12.22  | (Note 8) | (Note 8)                |
| dividend<br>per share              | Cash dividend                                |                              | 6.12   | (Note 8) | —                       |
|                                    | Stock<br>dividend                            | —                            | —      | (Note 8) | —                       |
|                                    |  | —                            | —      | —        | —                       |
|                                    | Accumulated undistributed dividends (Note 4) |                              | —      | —        | —                       |
| Return on<br>Investment            | Price/Earnings Ratio (Note 5)                |                              | 26.02  | 17.46    | —                       |
|                                    | Price/Dividend Ratio (Note 6)                |                              | 51.95  | (Note 8) | —                       |
|                                    | Cash Dividend Yield (Note 7)                 |                              | 1.92   | (Note 8) | —                       |

Note 1: Adjusted retroactively the stock and cash dividends distributed during the current year.

Note 2: Based on the year-end number of the outstanding issued shares and the dividend allocation resolved in the Board of Directors or the shareholders' meeting held the next following year.

Note 3: Please provide per-share earnings for both before and after adjustment basis when there were stock dividends

Note 4: Please disclose the accumulated dividends in arrears up to the current year if any of the conditions of the equity securities issuance allows to defer the payment of the dividends until the year with operation surplus.

Note 5: Price/Earnings Ratio = Average market price / Earnings per share

Note 6: Price/Dividend Ratio = Average market price / Cash dividend per share

Note 7: Cash Dividend Yield = Cash dividend per share / Average market price

Note 8: Pending for the approval of the annual shareholders' meeting the next following year.

(VI) Dividend policy and implementation

1. Dividend Policy under the Articles of Incorporation

According to the Article 26 under the Articles of Incorporation:

The Company's earnings, if any, should be applied for distribution as follows

- (1) Pay taxes and dues by law,
- (2) Offset the accumulated losses,
- (3) Set aside 10% of said profits as legal reserve. However, when the legal reserve is equivalent to the paid-in capital of the Company, the appropriation of legal reserve could be ceased
- (4) The special reserve shall be appropriated or reversed according to law and regulations
- (5) The remaining amount, if any, plus the accumulated unappropriated earnings shall be available for distribution according to the proposal of the Board of Directors. The distribution of dividends to the shareholders should be presented in the shareholders' meeting for resolutions.

The Company engages in an innovative industry with products widely used in various industries, such as, cloud servers, network communication, kitchen ware, and consumer electronics. At the stage of growth the Company is, the dividend policy is in line with the current and future development plans and shall be made basing on the consideration of investment environment, capital demand, domestic and international competition as well as the interests of shareholders. Therefore, certain amount of the surplus might be reserved for the Company's operation needs,, and the remaining earnings shall be distributed to shareholders as dividends, whether by stock or in cash, of which the cash portion shall not less than 10% of the total distribution.

2. Proposal for the dividend distribution at the most recent shareholders' meeting:

A Cash dividend of NT\$ 10.88 per share for a total of NT\$ 1,036,832,143.

The proposal above has approved by the Board meeting on February 25, 2022 and pending for the approval in the shareholders' meeting up to the publication date of the annual report.

3. If a material change in dividend policy is expected, provide an explanation: None

4. Other explanations: The company maintains the dividend policy of the previous year in accordance with current and future operating plans, and distributes cash dividends of approximately 50% of the earnings per share.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable

(VIII) Remuneration of the employees, directors, and supervisors

1. The percentage or range with respect to employees, directors, and supervisors' remuneration, as set forth in the Company's Articles of Incorporation:

If the final annual accounts of the Company show a net profit for a given year, it shall allocate

The Company's earnings, if any, should be appropriated

(1) not less than 0.1% of the net profit as remuneration to employees

(2) not more than 5% of the net profit as remuneration to directors and supervisors.

If the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation.

2. The basis for estimating the amount of employees, directors, and supervisors' remuneration, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The distribution proposal approved in the meeting of the board of directors on February 25, 2022 was no different from the estimated distribution recognized in 2021, and paid in cash.

3. Board resolutions on remuneration distributions:

- (1) Amount distributed in cash or by stock for employees, directors, and supervisors' remuneration:

① Employees' remuneration in cash NT\$ 85,849,000

② Directors and supervisors' remuneration in cash NT\$ 6,500,000

- (2) The amount of any employee remuneration distributed by stock and the size of that amount as a percentage of the sum of the net profit stated in the financial reports and individual financial reports and total employee remuneration for the current period:  
Not applicable. All the distribution resolved by the meeting of the board of directors at February 25, 2022 was made in cash.

4. The actual distribution of the remuneration of the employees, directors, and supervisors for the previous fiscal year:

| Distribution   | 2020  |  |             |                        |
|--|---|--|-------------|------------------------|
|  | Actual distribution resolved in shareholders' meeting | Distribution proposed by the Board meeting | Discrepancy | Reason for discrepancy |
| 1. Employee cash remuneration (in NT\$ thousands)                | 47,489  | 47,489                                     | —           | —                      |
| 2. Employee stock remuneration (in NT\$ thousands)               | -   | -  | —           | —                      |
| 3. Remuneration to directors and supervisors (in NT\$ thousands) | 6,500   | 6,500                                      | —           | —                      |

(IX) Share repurchases: None

**II. Corporate bonds issuance:** None.

**III. Preferred shares issuance:** None.

**IV. Issuance of global depository receipts:** None.

**V. Issuance of employee stock options:** None.

**VI. Issuance of new shares in connection with mergers or acquisitions:** None.

**VII. Implementation of capital allocation plans:** None.

## Five. Business Overview

### I. Business scope

#### (I) Business coverage

##### 1. Core business content

- (1) Research, design, manufacture and distribute Rail Kits and server Rail Kits
- (2) Research, design, manufacture and distribute Slides for all purposes.
- (3) Research, design, manufacture and distribute Hinges
- (4) Other mechanical product design, manufacturing and distribution

##### 2. Sales breakdown:

| Product   | 2021 |
|-----------|------|
| Rail Kits | 95%  |
| Slides    | 1%   |
| Hinges    | 3%   |
| Others    | 1%   |
| Total     | 100% |

##### 3. Current product items

| Product items  |
|--|
| 1. 1U-7U server rail kit and other equipment rail kits |
| 2. Multi-functional slides                             |
| 3. Multi-functional hinges                             |

##### 4. Products in pipeline

###### (1) Functional 3C products and components

Apply mechanical designs to develop peripheral products for server, LCD, ATM, printer, steel cabinet to meet multi-function purpose and the industry standards.

###### (2) High-value added kitchen products for retail market and slides for system kitchen cabinets.

###### (3) Full mechanical products applied in household that are humanized, safe, convenient, easy-to-use, easy installation and uninstallation.

## (II) Industry overview

### 1. Current industry trend and development

Functional-extended products are offered for both computing servers and furniture. Rail kit products are mainly used in Cloud computing devices, such as server, network communication equipment, Cloud data storage facilities and its peripheral facilities, followed by kitchen drawers. The hinge and slide products are mostly used in furniture, metal cabinets, industrial cabinets, etc.

#### (1) Computing server industry.

The servers are used as the central host and database for a group of PCs working together. By connecting to an identical server, each computer can function simultaneously. Enterprise servers are used to build corporate networks to allow data sharing and 24-hour accessibility, achieving better work and cost efficiency.

Globally, there are three major sever assembly regions: North America (centered in U.S.A.) for high-to-mid end models, Europe (centered in the U.K.) for mid-to-low end models and Asia Pacific region (centered in China) for low-end models. North America has the most high-to-mid end models as the top four global server provider such as IBM, HP, Oracle and Dell are all American companies, and this is also where their R&D team are located. For Europe, the local R&D talents and demands have fostered the production center for mid-to-low end models. Production sites in Asia Pacific region are concentrated in China due to its low production cost, which was necessary in a highly competitive low-end server products market. In recent years, both volume and revenue on server sales have grown significantly in the Chinese market as Inspur (a Chinese server brand) taped into mid-high end models with technology advancement, and shipment growth has been increasing for Huawei and Lenovo. However, American Brand such as Dell and HP still hold a strong place in the market.

To keep the production cost low and increase resource utilization, major international sever suppliers continue outsourcing manufacturing to contractors. The top-three suppliers, HP, Dell and IBM, account for the significant share of global severs shipment volume, followed by Oracle and Fujitsu. Less than 30% shipment comes from NEC, Rackable Systems, Acers, Lenovo and other regional brands. Server makers in Taiwan are divided into OEMs that manufacture for major sever brand owners and ODMs that manufacture for white brand servers Leaders from the former category are Inventec, MiTAC, Wintrom, Quanta Computer, and Hon Hai. Makers of the latter category are also known as sever distributors (suppliers of motherboards and barebones) include Supermicro, Intel, Asus, MSI and Gigabyte.



Outsourcing server design and production has been a long-term practice, and Taiwan is the major manufacturing hub for leading brands like HP, Dell, Cisco, etc., thanks to the completeness of its local industry chain. Not only that, new industry players like Chinese brands and other western distributors (ZT System and Penguin Computing) have also worked closer now with Taiwanese manufactures. Due to the soaring demands from mega data centers, growths of white-brand servers have exceeded the top-three brands, HP, Dell and IBM. Their collective market share has now slipped to below 60% from 70% or more in the past. The shift mainly came from the rise of Cloud computing services offered by AWS, Microsoft and Google, which cut down the server purchases from mid-to-big corporations who used to be the key buyers of big-brand servers.

Server types can be broken down by appearance: Tower (or Pedsta), Blade and Rack-Mounted. Due to the trend of high density, 1U Rack and Blade model are becoming the growing drivers for the sectors. Also, downward server prices have made 1U Rack and Blade more affordable to enterprise customers.

In contrast, because the tower products is large and not conducive for stacking, its proportion is constantly decreasing. Although the growth of the Blade Server market is expected, the initial construction cost is still high. Rack Mount Server is still the market mainstream; particularly the 1U, 2U and other Rack Mount specifications account for almost 60% of Taiwan's server shipments.

In addition, with the increasing of mobile lifestyle, looking at the market demand, long term online connection and diverse information applications service demand broadly required, easier mobile device and fast application service has become future trend. In which, it drives more server demand for Cloud computing as in the market supplies, the big server brands continue to offer energy saving solutions, as server-based computing decrease has side impact to increase data center's operation cost especially on the use of server electricity and cooling system is the main drive on electricity expense. Therefore, big brand server vendors continue to improve its hardware by focusing on energy saving, and acquire planning of more storage equipment and network companies in order to offer completed IT solutions to the corporate customers in the future. Governments worldwide are keen in working together with corporate partners to construct Cloud computing plants and facilities. Many big companies are searching for data center sites that offer cheaper electricity. Both shall continue to drive the growth stability of server industry.

The development of the cloud and mobile computing is the source of the servers

and data centers growth in recent years. In the recent years, the demand for network devices have grown due to more video and music streaming and faster data transmission requirements; according to the Cisco Annual Internet Report, the report shows that the number of global Internet users grow at a compound annual growth rate of 6% from 2018 to 2023 (Figure 1), and the report also predicts that the application of network devices such as smart watches, video surveillance, and healthcare monitoring will be growing at a compound annual growth rate of 10% higher than the number of Internet users (Figure 2), the number of network devices per capita will increase from 2.4 in 2018 to 3.6 in 2023.

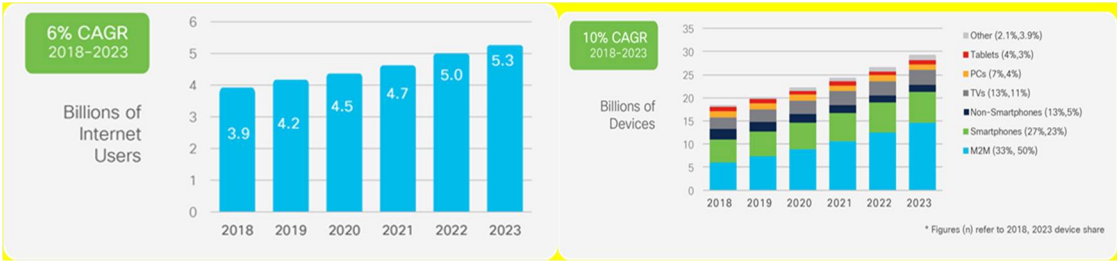


Figure 1: Estimated growth of global Internet users      Figure 2: Growth of network device users  
Source: Cisco Annual Internet Report, 2018–2023

The Cisco Annual Internet Report believes that from 2018 to 2023, public wifi hotspots will grow from 169 million to 628 million (Figure 3), a nearly four times of increase, in which about 46% highest coverage ratio is based in Asia, showing that the server industry's demand is at a steady growth trend.

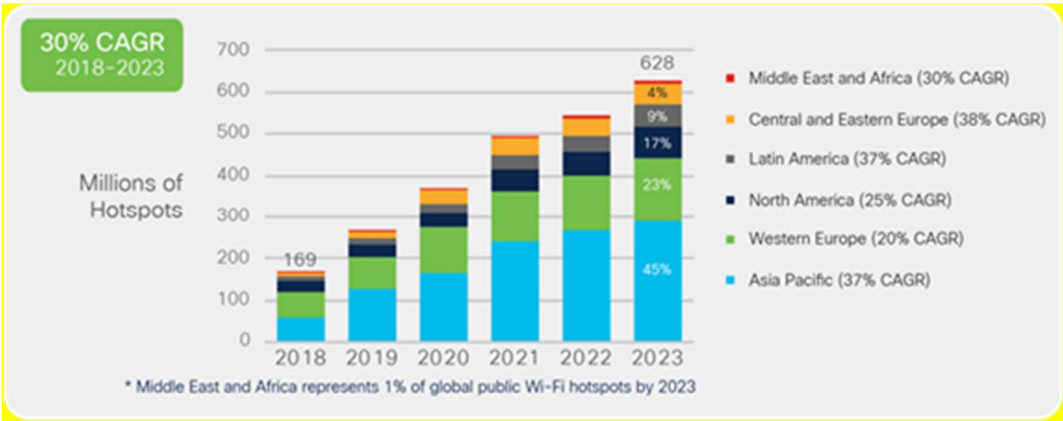


Figure 3: Global wifi hotspot growth condition  
Source: Maravedis, Cisco Annual Internet Report, 2018–2023

(2) Hinges and Slides:

Through the technology evolution, applications of hinge and slide have expanded widely from daily cabinets, kitchen cupboards to office facilities and copiers. We will use the furniture and internal decoration sectors to illustrate hinge and slide markets.

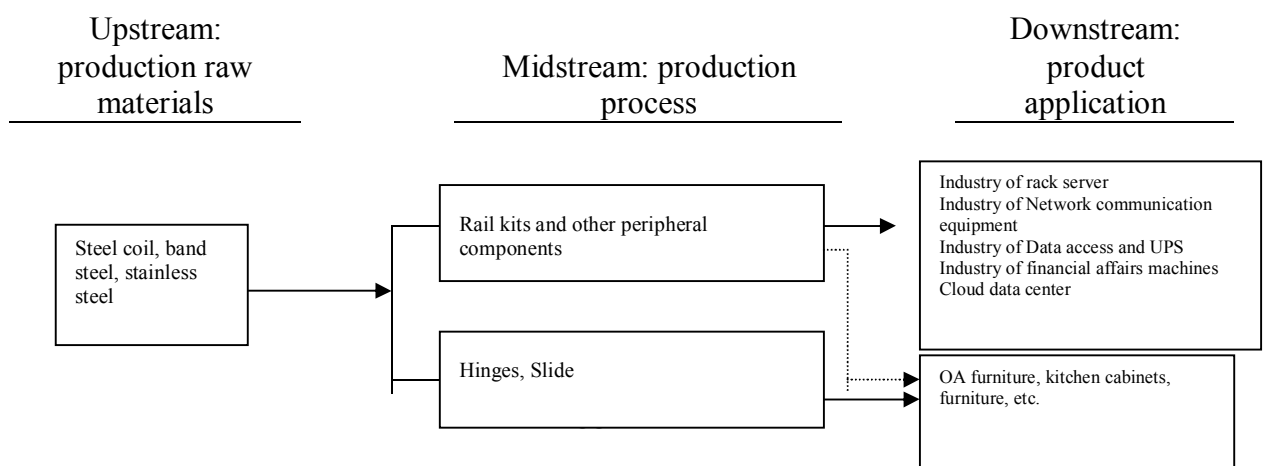
The furniture industry in Taiwan started to form since the introduction of woodworking machinery for semi-automated production in 1956 after nearly a decade

of hand-made production. The furniture industry in Taiwan took off during the period of 1966 and 1975 owing to new and automatic production facilities which stimulated exporting orders. The industry began a decade of steady growth after 1976, and Taiwan had owned the reputation as furniture kingdom for its reliable quality and low costs. It was estimated, one out of five furniture in the U.S.A. was made in Taiwan. The metallic furniture industry in Taiwan began to sprout starting from the 70's under the background of abundant steel supplies and seasoned R&D capacity and automated production procedure. Export volume from the category was strong during that period. Nevertheless, the dominant position had lost to China and some S.E. Asian countries in recent years due to contracting raw material sources and labor force which cause wage surge.

In the meantime, a large majority of the industry players, including furniture and interior decoration, have moved their operation to China; hence the turnover for the sector has dropped sharply in Taiwan and the trend is expected to continue. To survive, the local players need to come up with breakthrough technology and provide small-volume large-variety production to meet the market demands and enhance value adds.

As the Taiwanese information hardware makers usually do, local sever makers also have greater focuses on OEM and ODM business, which account for 80% top line. Reflected by global sales mix, the low-to-mid end models are the key growth drivers, especially the low-end models, which the majority of Taiwanese makers are shipping to the major international brands. It's expected the OEM and ODM business will remain at high percentage for the local producers. While facing the ever changing industry landscape, coping with virtual reality and Cloud computing are more of the 2nd trial test for Taiwanese sever makers. To break through, hardware manufacturers have no choice but work together with the brand companies to provide better value-added solutions, including storage, software and integrated selling package, apart from upgrading production technology, to standout in the industry competition and grasp the new opportunity ahead.

## 2. Links among each segments of the industry supply chain



### 3. Product development trend

#### (1) Rail kits and other components:

Along with the advance with technology, information products with light, slim, short and small-size designs are becoming the major trend, which has led to the launch of rack servers and other rackmount networking product mainly to focus on spacing saving, safety convenience and user-friendly features. This trend will change all the current PC products. The server product and other related networking product design is keen towards PC, Workstation development move into Blade server and current server is moving towards rack-server. Another new product integrated network equipment and server together this development trend apply Rail kits more extensively, as the components allow the features of slim, heavy loading, user-friendly, installation friendly and safety on the same server to comply market demand trend in the future.

#### (2) Hinges and slides:

The products are consumer commodities, and the future development trend will be in line with the market driven by high life quality, efficiency, convenience, aesthetics and hidden, multifunctional, easy installation, high added value and high quality.

### 4. Competition

#### (1) Rail kits and accompanying Rail kits:

Our current lines of products are very close to completeness and are gradually adopted on new launched products from various international brands. As our products broadly promoted in the market this will increase market share, and the human-friendly feature and superior functionalities are better than our competition in the market; the professional marketing can help more Taiwan server maker to compete with Korea to earn more purchase order benefiting the big brand vendor in their marketing and distribution other vendors can also have positive feedback by using our product.

#### (2) Hinges and slides:

Some product lines are price-competitive commodity, to compete, we are offering the products in our brand name, King Slide, to ensure quality and design differentiation in its marketing. Because King Slide brand has excellent recognition in the market set in middle to high end price range trading domestically instead of import foreign brand product; market to sell King Slide brand international to replace foreign famous brand. Using King Slide's better design and high quality features as the marketing strategy to avoid price competition.

(III) Technology and R&D status

1. R&D expenditures in the recent year and up to the publication date of the annual report:  
Unit: NTD thousand

| Item \ Year   | 2021      | As of March 31, 2022 |
|---|-----------|----------------------|
|   |           |                      |
| Research expenditure                                | 234,628   | 50,282               |
| Net revenue   | 6,341,989 | 1,723,522            |
| Research expenditure as a percentage of net revenue | 3.70%     | 2.92%                |

2. Technologies and/or products successfully developed in the recent year and up to the publication date of the annual report:

The products which have been invested recently and developed successfully are described by applications as below:

In the series of rail kits applicable to 3C servers, the Company has the product lines of U9, U6, UK, etc. used in open server racks, and due to the different mounting methods of these products from the ones in general standard racks, the new motion mechanisms and new designs of installation and combination components are essential to meet the requirements of high load capacity, friendly operating, and cramped space installation, meanwhile operational safety is also of vital importance to focus on to continuously increase customer trust of our products. In addition, there are various product series including U7, UN, B3, etc. applicable to a wide range of standard server racks. To sum up, the variety of products applicable to 3C servers is currently fully enough to respond to rapidly changing needs of the market, and we will continue to collect and study different usage characteristics and promptly adjust and involve with more new development accordingly in the future.

As for the product series of high-end kitchen cabinets and hinges, the 1-series and M-series applicable to system furniture have been successfully developed and kept improving application performance, of which the more flexible and market comprehensive characteristics should be able to help quickly adapt to the market challenges.

In addition, under multiple product lines, the design and development of the corresponding production molds and assembly equipment have been further refined with all aspects thoroughly studied and improved for better production efficiency, such as the material's displacement and segmentation, clamping and fixing, electronic control logic, etc. List of patent rights granted and application during the current fiscal year up to the date of

publication of the annual report:

| Year  | Number of patents  |
|---|--|
| 2021  | Application number: 74;<br>Number of granted: 320                          |
| 2022 and up to the date of publication of the annual report | Number of patent rights applied: 7;<br>Number of patent rights granted: 64 |

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

1. Long- term business development plans:

(1) Marketing strategy

The Company aims to provide customers with a globalized service, shorten the delivery time, in order to win the complete orders of consumer products. This will help the Company increase market share, continue to develop towards the establishment of global delivery warehouses and marketing bases, and establish global channel bases.

(2) Production policy

To continues to cultivate in stamping, roll forming and their parts processing technology and integrate electromechanical automation production technology to find breakthroughs in continuous stamping technology for forming various materials and products, so as to greatly reduce costs, improve product quality and product competitiveness.

(3) Product R&D direction

- ① Mechanical R&D for meeting the convenience of modern life style, so as to gain extra market share from increasing consumer reliance.
- ② Integrating design, development ability and market population together with the existing mechanical know-how, mold and automation equipment for functional 3C product R&D, with the focus on the long-term strategy and sustainability.

(4) Operation scale

To serve domestic and foreign system integration manufacturers and consumers, and to effectively expand the global market, it is expected to increase shipping warehouses and marketing bases in the future, so as to increase market share and global reputation.

(5) Financial backup

Building the optimal capital structure through a diversified funding channel to obtain sufficient capital at the most advantageous cost. Manage the capital smartly through various investment channels so as to increase the profits from the core

business and non-business operation.

2. Short- term business development plans:

(1) Marketing strategy

- ① To endeavor to win orders from major industry players (from computing server, network communication, computer system and Cloud data center), with the marketing focus on new products for expanding market shares.
- ② To promote mature product lines with existing brand awareness to tap into international suppliers of steel cabinets and server racks. For kitchen cabinets, focus will be placed on introducing newly developed high-end mechanical kitchen sets and a new series of functional products to kitchen equipment suppliers and retail distributors to establish a global network and position King Slide as a world-renowned brand.

(2) Production strategy

The Company aims to rationalize the production procedures with intellectual production management system by phasing in streamlined manufacturing for cutting down production and warehousing costs. Also production of products with low added value will be outsourced or through purchase to upgrade the Company's product value.

(3) Product R&D direction

- ① For rail kit lines, efforts will be placed on rack integration, and multi-functional and humanized installation.
- ② Customized product design to establish close ties from international customers and create additional value for our products.

(4) Operation scale

To provide long-term service for domestic and foreign system integration manufacturers and end consumers and expand the global market effectively, the Company aims to increase the number of global distributors recently and establish distribution channels and local marketing offices in China in order to improve the achievement of long-term operation scale expansion.

(5) Financial backup

To leverage the advantages of industrial technologies and fixed assets of PP&E to obtain loans from financial institutions with preferential costs.

## **II. Market analysis and production & marketing**

### **(I) Market analysis**

1. Geographic areas where the main products are supplied, and the Company's market share

(1) Geographic areas where the main products are supplied in 2021

| Product<br>Area | Rail kits | Slides | Hinge | Other | Total |
|-----------------|-----------|--------|-------|-------|-------|
| Taiwan          | 20%       | 0%     | 3%    | 0%    | 23%   |
| China           | 21%       | 0%     | 0%    | 0%    | 21%   |
| U.S.A.          | 29%       | 0%     | 0%    | 1%    | 30%   |
| Other           | 25%       | 1%     | 0%    | 0%    | 26%   |
| Total           | 95%       | 1%     | 3%    | 1%    | 100%  |

(2) Product market share

Due to the wide application range of rail kits, slides and hinges produced by the Company, and the high degree of customization, the specifications and unit prices of the products vary with the end products and customers they are applied to, so it is difficult to obtain the annual output and output value and the market share data of each manufacturer.

2. Future market demand and supply, growth potential, and competitive advantages

(1) Market demand analysis

① Slides and hinges market

With the progress of human civilization and the improvement of living standards, uses of hinges and slides have expanded widely and become ubiquitous from home cabinets, to office facilities and computer peripherals; demands have also expanded. However, owing to the shrunk global economy in the past few years, as much as 20% to 25% international brands company such as GLASS, HETTICH is now labeled as “Chinese product”. In addition, Chinese EMS product quality could not be controlled causing dropping price, poor quality product in the market, self-cut on price for low margin. This indirectly impacted the mid-high end price who was focused on good quality and branding where the market share was not even close to 35% which was covered by the European company such as BLUM and SALICE. In times of economic recovery, consumer awareness rises, a quality life style with reasonable pricing, excellent quality replacing with user-friendly product, the middle-high price can be expected to rise in the market. In addition, international furniture, kitchen, and system cabinet manufacturers must shift their orders to Southeast Asia due to production limitation and cost factors, Taiwan, especially, has the most competitive advantage. Hence, the Company still has potential in the market demand.



② Rail kits:

Analyzing from the appearance of server, the market is still dominated by rack-mounted servers. Generally speaking, companies of middle scale or higher choose this type of rack mount server most often when considering for better expandability. The server designers then mostly design rack mount server with 5U height to allow better flexibility when planning layout of hard disk in which this also increases the growth drive of the Company.

In terms of the growth of the global server market, cloud applications continue to flourish. In response to the rapid increase in the number of users, cloud service companies are actively expanding hardware devices to meet their customers' needs. Taiwanese manufacturers participated in Facebook's open computing programs (Open Compute Project, OCP) and have gradually achieved results after many years. In addition to the significant increase in visibility, technical capabilities have also been recognized by global customers. At present, besides Google, Facebook, Amazon and other global first-line super-large data center manufacturers in direct cooperation with Taiwanese manufacturers, recently even online and cloud service providers, multinational media operators, telecommunications and financial industry, have successively negotiated with Taiwanese manufacturers. The possibility of sales (ODM Direct) cooperation model, most of the super-large data center operators in the development trend of the cloud data center continue to expand, tend to purchase servers directly from the foundry, so the demand for construction of large data centers increases. It is expected to drive the growth of global server shipments. However, the development of cloud application services has gradually matured. More and more small and medium-sized enterprises have abandoned the construction of their own computer rooms, and the use of leased cloud services has reduced the cost of IT procurement and maintenance. For international server brands, the sales of traditional enterprise customers is gradually decreasing proportionally; on the other hand, the introduction of virtualization applications and high-density products has led to a reduction in the demand for enterprise procurement server hardware and an impact on overall market shipments.

Looking into 2022, benefiting from the increasing demand from data centers, Intel's launch of a new generation of Sapphire Rapids server processors and Eagle Stream server platform in the second quarter, and the needs of server replacement or upgrade resulting from the platform conversion of Supermicro's fourth-generation

EPYC server as well as the gradual easing of IC shortage in the second half of 2022, the global server shipment volume in 2022 is estimated to be 18.075 million units, with the annual growth rate expanding to 6.4%.



資料來源：TrendForce，台灣經濟研究院產經資料庫整理(2020.12)。

For Taiwanese manufacturers, the server manufacturers mainly undertake OEM orders from international brand owners, and produce customized servers for cloud service providers, which could be shipped under white-brand or self-owned brand products. Because the servers are mainly sold to enterprise users, it has high requirements for quality and stability, and its technical level has been improved. It requires a high degree of integration and testing capabilities. It has relatively set the bar high in the assembly industry which creating barriers to entry. With the advantages of design, manufacturing and complete industrial clusters, Taiwanese server manufacturers (including oversea production) have taken accounts more than 90% of the global server shipments. We are fully optimistic about the continuous expansion of data centers by cloud service providers, which pushes Taiwan's local server manufacturers to enhance their distribution of white brand servers, especially WiWynn is committed to developing second-tier cloud service providers, and it had obtained new orders from Amazon in 2020, while Hon Hai adjusted the server business strategy where it focus on cloud service providers, obtain orders from Microsoft and Amazon, and has entered the Google supply chain in early 2021. As for Inventec, in August 2019, it invested a 10% stake in the American company ZT GROUP INT'L, INC. ZT GROUP is mainly engaged in the system integration manufacturing and service business of the software and hardware for the cloud data center Inventec enter the cloud service provider supply chain and ship its servers to

Amazon, Facebook and Microsoft through its investing in share. In 2021, it will further obtain new orders from Amazon. By then, it will be shipped in large quantities in the second half of 2021, showing that Taiwan's server manufacturers have strengthened its distribution of white brand servers and its ambition to seize business opportunities in the data center.

Looking into the industry prosperity in the future, the shortage of IC-related components is expected to ease along with the opening of new capacity of wafer foundries. And with the widely distribution of the new servers worked on the next-gen platform of Intel or Supermicro, the needs of platform conversion, improvement of specifications and performance, and enterprises' accelerating digital transformation are expected to drive the customers to perform the server upgrade or replacement and further contribute to the growth of global shipment volume. Besides, pandemic triggers the changes in work and life patterns, the high preference of interaction on social media and of online shopping and the growth of clouding service drives cloud suppliers including Google, Facebook, Microsoft, etc. to build more data centers and further increase the server shipments. Furthermore, the expansion of 5G and AI applications is extremely beneficial to the increase in server demand for edge computing. Overall, the future of the server industry in Taiwan is prosperous and worth expecting.

As the demand for ultra-large data center operators grows strongly, and these Internet service providers prefer their suppliers to provide more customized products, which allow the business opportunities of OEMs and parts suppliers continue to expand. Server OEMs such as Quanta, Inventec and Wistron also extend their products from server boards and server systems to rack-mount products (including servers, Ethernet switches and storage) and directly compete with American server and Ethernet switch brands such as HP, DELL, and Cisco, therefore the OEM server revenue grew strongly. In addition to the growth of data center customer demand, the proportion of rack-mounted products increased (accounting for 20-30% of total server shipments); the increase in average price is the main reason. It is expected that the trend of increasing the proportion of rack-mounted products will continue and will benefit the related industry chain manufacturers.

## (2)Market supply analysis

### ① Rail kits:

Due to the high barriers to entry for various servers and other peripherals, the

technology is mostly controlled by foreign manufacturers. King Slide can synchronize the R&D and supply of products so there is no market supply issue.

② Slides and hinges market

As the market demand has gradually increased, the competitors who have invested in the industry continue to increase causing an oversupply of hinges and slides in the overall market, and the price competition is fierce. Both European and American manufacturers have stopped producing European-style slides and some hinge products. As two main factors, the original manufacturers have transferred its orders to the Southeast Asian market due to price. This forms a trend of large-scale transfer orders to the mainland and Taiwan in the market, resulting in a shortage of supply in the export markets of the two regions. In particular, this has reflected more on the manufacturers with more scale and stable quality, or competitive in price.

(3) Market growth potential:

① 3C market:

In the long run, the main needs of the cloud server industry come from the telecommunications industry, the financial industry, government agencies, and large manufacturing industries. With the increase of low-end smart handheld devices, the demand for back-end servers will also increase. According to the observation of the Institute of Industrial Intelligence (MIC), Taiwan's server shipments orders come from large data centers which will continue to focus on domestic server shipments. Brands are also actively introducing new products, in addition to the new server hardware while carrying out more services, software in which stands out from its traditional hardware supplier role as ODM foundry and their supply chain performance can be expected. In addition, the rise of brand players in mainland China and the increase in the proportion of white brand network server purchases by the large-scale Internet service providers, this will incite the existing brand and traditional industry chain supply patterns, prompting the Taiwanese strategic layout in seeking to “strive for the Chinese brand OEM order” and “Strive for White brand Server Order”.

In the future, in close cooperation with IBM, HP, DELL, ORACLE, Fujitsu-Siemens International Servers and major white-label markets, it will bring additional potential business opportunities to the Company and match the changes in the appearance of the server market. Related network communication, storage, UPS, KVM, and other peripheral products to the rackmount designs make the

application of the rail kit wider. And because the industry does not have specific statistics on the relevant global shipments data so it is impossible to assess how many potential opportunities in the market, but the application of rail kits will be more popular in the foreseeable future, and there is indeed a potential market that needs to be developed.

② Traditional market:

It is expected that the prosperity of the traditional consumer market and real estate will gradually pick up, which will bring performance improvement to the Company.

③ Steel cabinets market:

International manufacturers have shifted their orders faster due to cost factors and production constraints. The market will continue to grow in the future based on existing performance.

(4) Market's Future competitive niche:

① Rail kits market:

In the past few years, due to the continuous transformation of the industry, involving in the development of server and network communication equipment components, lead the Company to develop a series of rack-mounted server rail kits, and obtained many patents related in many countries. Because there is no uniform in the use of standards and specifications in this part of this product development industry, the entry barriers become high, and the application of patents is also difficult. To obtain the certification and recognition from the international companies is by testing the rapid development and real-time production skill of the company. In this case, most of the competitors are almost occupied by European and American companies such as Accuride, Jonathan, and General Device. After these rigorous competition, the Company finally got awarded by International server brands such as IBM, HP, SUN, Fujitsu-Siemens, and DELL. Many years of cooperation, and because the Company considers the function of humanization in product design, regardless of price, quality, test conditions, delivery date and product functions, it is determined by customers that we are above the competitors. Therefore, customers' new product has gradually adopted the rail kits designed and manufactured by the Company. The recognition by these international server manufacturers will provide the Company with a favorable competitive advantage in this market and eliminate the obstacles in the way when marketing our business.

② Slides and hinges markets

In the past few years, due to poor economy and fierce price competition, Chinese products have swept the world at low prices, but their product quality and delivery is unstable, and high failure rate are unfavorable factors in the market competition. Thus, the Company has been adhering to the marketing philosophy of maintaining product quality, stable delivery, and marketing its own brand, despite the sluggishness of the market, we have built a good brand reputation in the international market. As the anti-dumping discussion speaks out in the global international market, the situation where the price focus but no quality situation is now reversed. More and more users find that only the products with stable quality, reasonable price and meet the needs of consumers are the way to survive forever. Looking at the Southeast Asian manufacturers, as in terms of quality, delivery, R&D, production technology, and scale conditions, only King Slide can compete with European and American manufacturers using low procurement cost but better quality and function product to compete with European and American competitors. King Slide as the best choice for customers on this favorable basis and with the recovery of the economy, we believe that we have better competitive advantage in market of slides and hinges in the future.

3. Advantages or Disadvantages of future development factors, and the Countermeasures to such factors

(1) Advantage factors

① Rail kits market:

The Company has passed the certification of its products by IBM, HP, ORACLE, Fujitsu-Siemens, DELL international server manufacturers, and directly obtained the product requirements of its R&D department in line with its new products. At the same time in line with the latest consumer demand products development will be the advantage factor to marketing products into the system OEMs, network communication providers, rack cabinet manufacturers, and distributors, which further open the door for the Company to also promote other 3C mechanical products into more international manufacturers.

② Slides and hinges market

In recent years, in order to reduce costs, the international renowned furniture and cabinet manufacturers have turned to Southeast Asia countries to seek cooperation with cooperative factories or strategic alliances. Their appeals focus are on the economies of the manufacturers, product types, rapid delivery, R&D capabilities, stable quality, and reasonable price. The Company's current economic

scale, solid technical team, excellent product development and automation equipment development capabilities, stable quality, and fast delivery capabilities are not only praised in the domestic market but also in the international market. In the traditional market, King Slide has been listed as one of the world's top four major brands in the United States, which also allows the large manufacturers to confidently transfer orders and new product development to the Company, especially in the past two years transition is more significantly. Customer base covers the top United States Large furniture manufacturers, cabinet manufacturers, steel cabinet manufacturers and Japan's second largest DIY furniture manufacturers, the second largest furniture manufacturers, the focus of the future in addition to the development of its own brand new products. In the future, besides developing new products with our own brand, development in customized product according to customer's need will play an important advantage factor in future development.

The Company's products are currently the mainstream series of products in the industry, and will actively deploy international marketing bases in the future. With the existing competitive advantages, the future growth in the customized or channel market can be expected.

(2) Disadvantages

The estimate increase of material prices will cause increase of cost.

(3) Countermeasures

- ① To increase automation to reduce labor and manufacturing costs and outsource low value-added products in response to cost increases issues.
- ② To accelerate the development of new markets, enhance the technical capabilities of after-sales services, select a favorable product mix and customer base, especially choosing the R&D customized and electronic products as the main direction for the future to increase the operating base, and reduce the expense ratio as well slow down the disadvantage of materials cost increases.

## (II) Main product usages and production process

### 1. Usage

| Main products                                  | Usage  |
|--|--|
| Rail kits and peripheral components for server | 1. Rack servers, UPS, rack Internet communication facilities, TAPE, and related accompanying facilities for computer networking and Cloud data centers.<br>2. Electric vehicles, massage sofa, ATM machine, multi-function printers, automobile, OA furniture, kitchen, industry-tool , steel cabinets and medical cabinets. |
| Slides, hidden hinges                          | OA furniture, kitchen cabinets, furniture, etc.  |

### 2. Production procedures:

Hinges: accessory stamping→ precision finishing → accessories heat treatment→  
accessory barrel plating→ finished accessory

↪ feeding finished accessories and purchased accessories →  
assembling finished goods → packaging check and warehousing

Slides: slide stamping → molding completed

↪ slide coating→ feeding finished accessories and purchased accessories →  
assembling finished goods → packaging check and warehousing

Rail kits: (1) accessory stamping→ precision finishing → accessories heat treatment→  
accessory barrel plating→ finished accessory

(2) Rail kit precision finishing → stamping → molding completed

(3) ↪ Feeding finished guide slides → barrel plating feeding finished  
accessories and purchased accessories→ ....

Finished product assembly → packaging check and warehousing

## (III) Main raw materials supplies

Steel coil is the Company's main raw material, which we purchase mainly from China Steel and partly from local coil center suppliers and Japan. The supplies of the material have been sufficient and stable.

## (IV) Suppliers and clients accounted for 10% or more of the Company's total purchase(sales) amount in either of the 2 most recent fiscal years and explanation for changes



## 1. Top suppliers

Unit: NT\$ thousands

| Items | 2020            |           |  |                           | 2021            |           |  |                           | Q1 2022         |         |   |                           |
|-------|-----------------|-----------|--|---------------------------|-----------------|-----------|--|---------------------------|-----------------|---------|---|---------------------------|
|       | Supplier        | Amount    | As a percentage of total purchase for the year (%) | Relation with the Company | Supplier        | Amount    | As a percentage of total purchase for the year (%) | Relation with the Company | Supplier        | Amount  | As a percentage of total purchase for the 1 <sup>st</sup> quarter (%) | Relation with the Company |
| 1     | China Steel     | 618,978   | 44.22  | None                      | China Steel     | 1,126,970 | 49.49  | None                      | China Steel     | 250,675 | 46.08   | None                      |
|       | Others          | 780,939   | 55.78  |                           | Others          | 1,150,037 | 50.51  |                           | Others          | 293,266 | 53.92   |                           |
|       | Purchase amount | 1,399,917 | 100.00   |                           | Purchase amount | 2,277,007 | 100.00   |                           | Purchase amount | 543,941 | 100.00  |                           |

Change analysis: China Steel is a leading domestic steel supplier and a mainraw material supplier for the Company and the industry. Its products meet the Company's requirements in terms of delivery and quality. Therefore, it has been the number-one supplier for the past two years.

## 2. Top customers

Unit: NT\$ thousands

| Items | 2020       |           |   |                           | 2021       |           |   |                           | Q1 2022    |           |  |                           |
|-------|------------|-----------|---|---------------------------|------------|-----------|---|---------------------------|------------|-----------|--|---------------------------|
|       | Supplier   | Amount    | As a percentage of total net sales for the year (%) | Relation with the Company | Supplier   | Amount    | As a percentage of total net sales for the year (%) | Relation with the Company | Supplier   | Amount    | As a percentage of total net sales for the 1 <sup>st</sup> quarter (%) | Relation with the Company |
| 1     | Customer A | 824,405   | 17.17   | None                      | Customer A | 1,089,571 | 17.18   | None                      | Customer A | 276,538   | 16.04  | None                      |
| 2     | Customer B | 449,962   | 9.37  | None                      | Customer B | 5,252,418 | 82.82   | None                      | Customer B | 1,446,984 | 83.96  | None                      |
|       | Others     | 3,977,000 | 82.83   |                           | Others     | 6,341,989 | 100.00  |                           | Others     | 1,723,522 | 100.00   |                           |
|       | Net sales  | 4,801,405 | 100.00  |                           | Net sales  | 1,089,571 | 17.18   |                           | Net sales  | 276,538   | 16.04  |                           |

Change analysis: Customer A is the designated manufacturer for multiple major international server suppliers. As shipments of several of our OEM customers were asked to send to the Customer A's global HUB , it has been listed as the number-one customer for the past two years. Customer B is a brand manufacturer combining existing customers. The increase in sales is due to the increase in existing brand projects.

(V) Production volume for the two most recent fiscal years

Unit: Rail kits and slides in thousand sets; hinges in thousand pieces/ NT\$ thousand

| Main products \ Year | 2020     |                   |                  | 2021     |                   |                  |
|----------------------|----------|-------------------|------------------|----------|-------------------|------------------|
|                      | Capacity | Production volume | Production value | Capacity | Production volume | Production value |
| Rail Kits            | 19,110   | 12,777            | 2,059,607        | 23,893   | 15,975            | 2,899,337        |
| Slides               | 4,224    | 1,230             | 29,096           | 3,265    | 951               | 25,718           |
| Hinges               | 2,900    | 2,564             | 57,411           | 2,205    | 1,950             | 56,351           |
| Other                | —        | —                 | 45,023           | —        | —                 | 84,028           |
| Total                |          |                   | 2,191,137        |          |                   | 3,065,434        |

(VI) Product units sold for the two most recent fiscal years

Unit: NT\$ thousands

| Main products \ Year | Unit           | 2020           |           |              |           | 2021           |           |              |           |
|----------------------|----------------|----------------|-----------|--------------|-----------|----------------|-----------|--------------|-----------|
|                      |                | Domestic sales |           | Export sales |           | Domestic sales |           | Export sales |           |
|                      |                | Quantity       | Amount    | Quantity     | Amount    | Quantity       | Amount    | Quantity     | Amount    |
| Rail Kits            | thousand sets  | 3,287          | 1,181,479 | 9,579        | 3,349,443 | 3,731          | 1,273,736 | 11,688       | 4,763,126 |
| Slides               | thousand sets  | 113            | 5,089     | 1,361        | 39,320    | 91             | 4,348     | 1,075        | 35,183    |
| Hinges               | thousand units | 3,343          | 128,200   | 1,632        | 28,465    | 3,457          | 144,187   | 812          | 25,880    |
| Other                |                | —              | 13,753    | —            | 55,656    | —              | 13,082    | —            | 82,447    |
| Total                |                |                | 1,328,521 |              | 3,472,884 |                | 1,435,353 |              | 4,906,636 |

### III. Human resource

Unit: one person; %

| Year                  |                      | 2020          | 2021           | As of March 31, 2022 |
|-----------------------|----------------------|---------------|----------------|----------------------|
| Number of employees   | Direct labor         | 786           | 927            | 956                  |
|                       | Indirect labor       | 333           | 345            | 342                  |
|                       | Total                | 1,119 (Note1) | 1,272 (Note 2) | 1,298 (Note3)        |
| Average age           |                      | 35.2          | 36.54          | 36.44                |
| Average service years |                      | 6.95          | 6.70           | 6.66                 |
| Average education %   | Ph.D                 | 0.09%         | 0.08%          | 0.08%                |
|                       | Master               | 5.36%         | 4.72%          | 4.31%                |
|                       | College              | 42.54%        | 42.53%         | 42.37%               |
|                       | High school or below | 52.01%        | 52.67%         | 53.24%               |
|                       | Total                | 100.00%       | 100.00%        | 100.00%              |

Note1: The figures above do not include the contracted workers: 253 people.

Note2: The figures above do not include the contracted workers: 232 people.

Note3: The figures above do not include the contracted workers: 314 people.

### IV. Disbursements for environmental protection

- (I) Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): The Company has not suffered any losses due to environmental pollution in the most recent year and as of the publication date of the annual report. However, the subsidiary, King Slide Technology Co., Ltd., violated the Article 10, Item 1 of Water Pollution Control Measures and Test Reporting Management Regulations and was fined NT\$30,000 on November 24, 2020, because the new plant was put into construction without the permission on Runoff wastewater pollution reduction plan by the Bureau.

#### (II) Countermeasures:

1. Future countermeasures and improvement plans:
  - (1) Wastewater discharge: The Company analyzes and monitors the quality of wastewater on a daily basis to ensure that the wastewater treatment system operates normally to meet the effluent standards.

- (2) Air pollution Air pollution control: The Company has obtained permits for the installation and operation of stationary pollution sources.
- (3) Waste disposal: The Company's waste disposal plan has been approved by the Environmental Protection Bureau and the qualified waste brokers are commissioned to clean, transport , and dispose of the waste produced.

2. Investment made for pollution control and possible benefits generated:

December 31, 2021; Unit: NT\$ thousand

| Pollution control facilities                            | Quantity | Date acquired | Investment amount | Non-depreciated balance | Possible benefits generated   |
|---|----------|---------------|-------------------|-------------------------|---|
| Laboratory equipment for chemical testing               | 1        | 12/14/2000    | 300               | —                       | Wastewater testing  |
| Air agitation plumbing                                  | 1        | 05/07/2001    | 152               | —                       | Exhaust gas (HCL) treatment for regulation compliance   |
| Air shield  | 1        | 05/07/2001    | 200               | —                       | Exhaust gas (HCL) treatment for regulation compliance   |
| Exhaust ventilation                                     | 1        | 05/07/2001    | 942               | —                       | Exhaust gas (HCL) treatment for regulation compliance   |
| RC wastewater storage tank lining project               | 1        | 05/07/2001    | 429               | —                       | Wastewater for regulation compliance  |
| Plant and frame filter press                            | 1        | 12/16/2004    | 820               | —                       | Sludge treatment  |
| Squatting building sewage treatment facility            | 1        | 12/01/2005    | 410               | —                       | Wastewater for regulation compliance  |
| Water recycling accomplishing                           | 1        | 03/23/2006    | 17,602            | 580                     | Recycle some of the water and discharge the wastewater to the wastewater treatment accomplishing assembly to meet the standard            |
| Wastewater treatment accomplishing                      | 1        | 03/23/2006    | 1,071             | —                       | Exhaust gas (HCL) treatment for regulation compliance   |
| Filled scrubber   | 1        | 12/25/2006    | 2,295             | —                       | Exhaust gas (HCL) treatment for regulation compliance   |
| Equalization tank                                       | 1        | 03/07/2007    | 550               | —                       | Wastewater quality equalization   |
| Plant and frame filter press                            | 1        | 07/10/2007    | 250               | —                       | Sludge treatment  |
| Condensing sludge dryer                                 | 1        | 07/18/2008    | 3,636             | 701                     | Sludge treatment  |
| RO-1-2 set  | 1        | 04/20/2015    | 3,364             | 1,196                   | Efficiency improvement for water recycling  |
| Wastewater mixing tank                                  | 1        | 08/08/2015    | 4,427             | 2,651                   | (1) Adjusting wastewater quality to reach the stability of wastewater treatment<br>(2) Acquiring the tentative storage tank for emergency |
| Wastewater treatment accomplishing (facility expansion) | 1        | 08/21/2015    | 4,550             | 1,306                   | Enhancing wastewater treatment capacity and the satiability of COD removal for regulation compliance                                      |
| Fiber filters   | 2        | 09/01/2016    | 1,680             | 684                     | Efficiency improvement for water recycling  |
| Spectrophotometers                                      | 1        | 06/11/2018    | 140               | 15                      | Water examination   |
| Condensing sludge dryer                                 | 1        | 03/24/2019    | 2,950             | 2,021                   | Sludge volume reducing  |
| UV/VIS Spectrophotometer                                | 1        | 03/19/2020    | 150               | 81                      | Water examination   |

### 3. Possible expenditure

| Unit: NT\$ thousands  |          |        |
|---|----------|--------|
| Types   | Subtotal | Total  |
| Raw water and effluent testing fees (twice a year)  | 200      | 17,624 |
| General industrial waste (Once a year)  | 8        |        |
| Hazardous industrial waste testing (twice a year)   | 16       |        |
| Replacement of RO membrane  | 750      |        |
| Wastewater or sewage pre-treatment facilities expansion and sedimentation basin replacement | 6,150    |        |
| Waste liquid vacuum fractionation equipment   | 7,500    |        |

## V. Labor relations

(I) Employee benefit plans, continuing education, and retirement programs with the implementation status. worker-employee agreement and measures for preserving employees' rights and interests.

### 1. Employee benefit plans

The Company has been maintaining a harmonious relation with its employees. Apart from the basic requirements set under Labor Standards Act, the Company gives extra cash gift or voucher on labor's day, Dragon Boat Festival, Mid-Autumn festival, and employee's birthday to all employees, and hosts year-end banquet, company outing, and office party on a regular basis.

In addition, we have greatly improved cares for pregnant employees. Clean, comfortable and cozy nursery rooms are available inside the office, a little gift for pregnant moms, parking space for pregnant women only, and establishing pregnant-female employee management measure. The Company's goal is to create a pleasant workplace and to ensure the health of every employee.

The Company encourages staff taking no-pay maternity leaves. In accordance with Act of Gender Equality in Employment and the implementation rules for no-pay maternity leaves, all employees, after first six months of working, are eligible for applying the leave before their children reach the age of three for a period of no more than two years. After returning, the employee will continue the old post in the same unit without differential treatment.

### 2. Continuing education and training

In order to improve the quality and development advantages of human resources, the Company has formulated educational training management measures which works together with the promotion system. Internal and external training programs are provided from time to time based on the job contents and future development to improve employees' working skills. Employees are required to complete training reports to allow feedbacks to the Company.

3. Retirement program and implementation

The Company set up its retirement program based on Labor Standards Act. Workers may apply for voluntary retirement when: (1) he/she reaches the age of 55 and has worked for fifteen years; (2) he/she has worked for more than twenty-five years and (3) he/she reaches the age of 60 and has worked for ten years. The Company appropriates, based on the stipulated ratios, employee retirement fund that is later deposited in Bank of Taiwan. Pension is distributed to the retired employees according to Labor Standards Act. Began from July 01, 2005, a distribution of no less than 6% of monthly salary will be made to individual retirement account for employees who chose adopting Labor Pension Act for his/her pension program.

4. Worker-employee agreement and measures for preserving employees' rights and interests:

- (1) Propositions can be made in the morning meeting held every week.
- (2) The proposition shall be made in written using the official forms or proposals regarding rewarding program can be presented.
- (3) Labor meetings are held on a quarterly basis through representatives elected by all employees.
- (4) To complete the employee grievance system, communication channels were provided to strengthen the labor relations. Complaint channels include exclusive hotline, email box and suggestion box are available to take in and handle employee complaints with dedicated personnel, and to protect the whistleblower and prevent retaliation. Complaints can also be filed through internal administrative system. Managers from the associated units shall react immediately when receiving them.
- (5) The promotion examinations are held every year in accordance with the "Promotion measures ." Exams are taken on a voluntarily basis, removing influence from a third party.
- (6) Assistants are provided during orientation program and presentation session for new hires to help the new employees get accustomed to the Company. "Sustainable heritage of care" is carried out to ensure new employees are taken care of.
- (7) Tow communication meetings are held every month for foreign workers.

- (8) Regular employee care program is conducted for new employees to accelerate their adaptability to the new job through face-to-face interviews.
- (9) Formulating "Measures for staff religious beliefs and facility service application" to ensure staff are not discriminated against to their beliefs, and facilities are available for holding religious activities when needed.

5. Other major agreements: None.

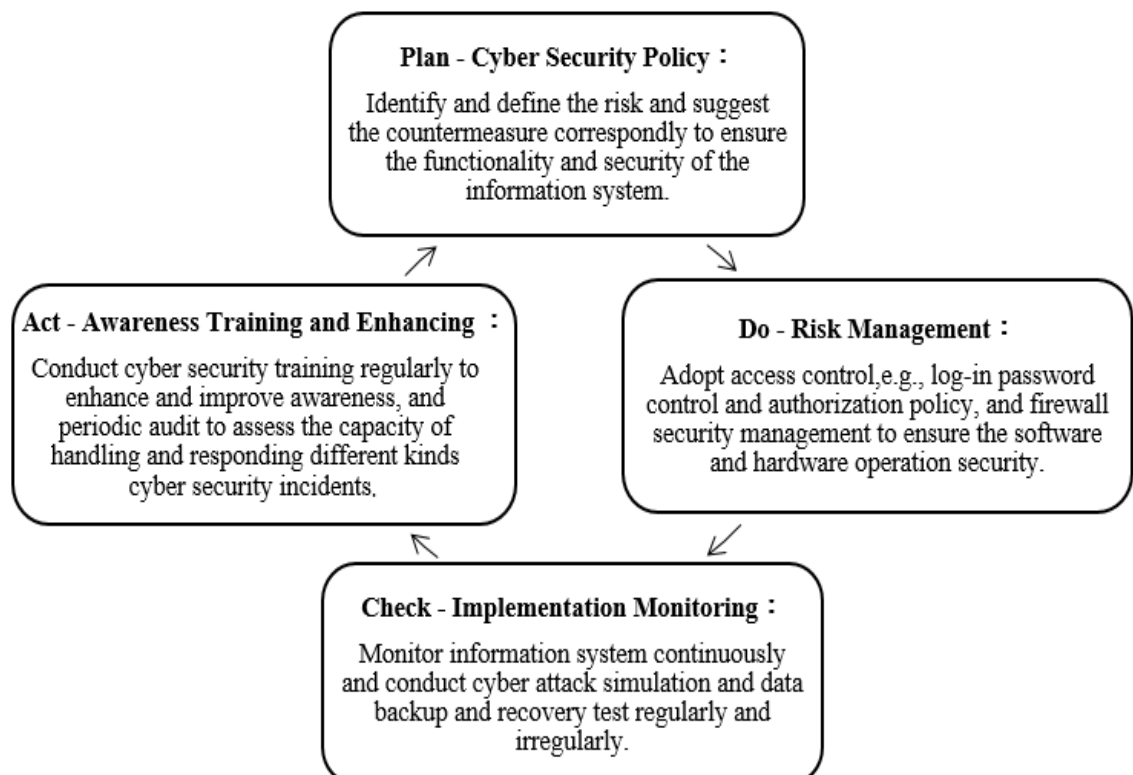
- (II) Any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

## VI. Cyber Security Management:

- (I) Descriptions of the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

### 1. Framework of Cyber Security Management

To ensure the data's confidentiality, integrity, and availability, the circular model (PDCA) is applied to Company's cyber security policy to make sure the solid implementation and improving subsequently, and prevent the risk of cyber-attack and data breach.



## 2. Cyber Security Policy

Vision: High cyber security awareness, data breach prevention, data integrity protection, and data availability assurance.

- (1) The dedicated cyber security division of the Company is in charge to develop company-wide cyber security policy, related standards, and procedures.
- (2) Inform employees of the related information about cyber security on a regular basis and conduct education training routinely to enhance employees' awareness of cyber security.
- (3) In order to prevent unauthorized access, the application of user permission to access information system and network shall be confirmed and submitted by the supervisor of division the user belongs to.
- (4) Conduct data backup and recovery test annually to secure data integrity and availability.
- (5) All the subcontractors and suppliers shall comply with the cyber security policy of the Company.
- (6) The cyber security policy shall be assessed and audited on a regular basis to make sure the policy appropriately follow up the core vision of the Company, laws and regulations, new technologies, or new business models of the Company, and so as to assure the policy's feasibility, effectiveness, and the capacity of necessary operation and service supporting.

## 3. Concrete Programs and Resources Invested

- (1) Firewall protection: the firewall software has been updated timely to protect the Company's information system from different kinds of computer viruses.
- (2) Network access control: prevent users from accessing certain unfriendly websites with the potential risk of threatening computer viruses , e.g., Trojan Horse, ransomware, and malware.
- (3) Anti-virus software: all the IT devices should be worked with anti-virus software running and be updated to the latest virus code timely and automatically.
- (4) Operating system update: all the operating system should be updated by the IT department to ensure the information integrity and availability.
- (5) Email security control: prevent attacks from malicious email attachments so as to minimize the risk of data breach.
- (6) Data backup scheduling: conduct data backup on a regular basis to secure the important information.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts



therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

## VII. Important contracts:

| Nature of the contracts                    | Contracting parties               | Contract period   | Main contents  | Restrictions   |
|--|-----------------------------------|---|--|--|
| Raw material supply contract               | China Steel Co.                   | Quarterly   | Steel coil supply  | None   |
| Construction                               | Verizon Construction Co., Ltd.    | Start from Mar. 18, 2020 to the expiration date of the construction warranty. | Construction of No. 2 Plant of King Slide Technology Co., Ltd. | None   |
| Stay-in-Taiwan Preferential Loans Contract | The Chang Hwa Commercial Bank Ltd | Start from Jul. 31, 2020 to the date of loan repayment                        | Long-term loan   | Loan funds are limited to the construction of factories and related facilities |
| Stay-in-Taiwan Preferential Loans Contract | The Chang Hwa Commercial Bank Ltd | Start from Jul. 31, 2020 to the date of loan repayment                        | Long-term loan   | Loan funds are limited to the construction of machines and equipment           |

## Six. Financial overview

## I. Five-year financial summary

## (I) 1. Condensed Balance Sheet, Consolidated

|   |                     | Unit: NT\$ thousands                          |            |            |            |           |   |
|---|---------------------|---|------------|------------|------------|-----------|---|
| <div> <div>Year</div> <div>Item</div> </div>      |                     | Financial information from 2017~2021 (Note 2) |            |            |            |           | As of<br>Financial<br>information,<br>as of March<br>31, 2022<br>(Note 3) |
|   |                     | 2021  | 2020       | 2019       | 2018       | 2017      |   |
| Current Assets                                    |                     | 12,151,398                                    | 10,644,226 | 10,435,103 | 9,615,249  | 8,259,584 | 13,226,094  |
| Property, Plant and Equipment                     |                     | 2,445,722                                     | 1,894,661  | 1,368,900  | 1,353,349  | 1,425,528 | 2,697,976   |
| Right-of-use Assets                               |                     | 624,881                                       | 662,028    | 670,105    | -          | -         | 651,586   |
| Intangible Assets                                 |                     | 3,405   | 2,810      | 3,090      | 269        | 1,274     | 2,746   |
| Other Assets                                      |                     | 207,462                                       | 171,551    | 236,619    | 237,788    | 199,653   | 117,335   |
| Total Assets                                      |                     | 15,432,868                                    | 13,375,276 | 12,713,817 | 11,206,655 | 9,886,039 | 16,695,737  |
| Current Liabilities                               | Before distribution | 1,679,618                                     | 1,331,645  | 1,264,437  | 1,038,010  | 1,018,422 | 1,726,039   |
|   | After Distribution  | Note 1  | 1,914,863  | 2,026,814  | 1,943,332  | 1,494,907 | Note 1  |
| Noncurrent Liabilities                            |                     | 1,149,963                                     | 922,590    | 728,843    | 94,094     | 88,292    | 1,451,421   |
| Total Liabilities                                 | Before distribution | 2,829,581                                     | 2,254,235  | 1,993,280  | 1,132,104  | 1,106,714 | 3,177,460   |
|   | After Distribution  | Note 1  | 2,837,453  | 2,755,657  | 2,037,426  | 1,583,199 | Note 1  |
| Equity Attributable to Shareholders of the Parent |                     | 12,603,287                                    | 11,121,041 | 10,720,537 | 10,074,551 | 8,779,325 | 13,518,277  |
| Ordinary shares                                   |                     | 952,971                                       | 952,971    | 952,971    | 952,971    | 952,971   | 952,971   |
| Capital Surplus                                   |                     | 796,691                                       | 796,691    | 796,691    | 796,691    | 796,691   | 796,691   |
| Retained Earnings                                 | Before distribution | 10,862,927                                    | 9,380,598  | 8,978,545  | 8,329,138  | 7,032,605 | 11,772,761  |
|   | After Distribution  | Note 1  | 8,797,380  | 8,216,168  | 7,423,816  | 6,556,120 | Note 1  |
| Other Equity                                      |                     | ( 9,302)                                      | ( 9,219)   | ( 7,670)   | ( 4,249)   | ( 2,942)  | ( 4,146)  |
| Treasury Stock                                    |                     | -   | -          | -          | -          | -         | -   |
| Noncontrolling Interests                          |                     | -   | -          | -          | -          | -         | -   |
| Total Equity                                      | Before distribution | 12,603,287                                    | 11,121,041 | 10,720,537 | 10,074,551 | 8,779,325 | 13,518,277  |
|   | After Distribution  | Note 1  | 10,537,823 | 9,958,160  | 9,169,229  | 8,302,840 | Note 1  |

Note 1: Based the resolutions from the shareholders' meetings next following years. 2020 figures are pending for the approval from the shareholders' meeting.

Note 2: All financial statement are certified by the external auditors

Note 3: Financial statements for ended March 31, 2022 are reviewed by the external auditors

## 2. Condensed Balance Sheet, Unconsolidated

Unit: NT\$ thousands

| Year<br>Item                   |                     | Financial information from 2017~2021 (Note 2) |            |            |            |           |
|--------------------------------|---------------------|---|------------|------------|------------|-----------|
|                                |                     | 2021  | 2020       | 2019       | 2018       | 2017      |
| Current Assets                 |                     | 3,832,929                                     | 3,119,423  | 3,513,509  | 3,951,935  | 3,824,862 |
| Investment using equity method |                     | 9,018,001                                     | 8,145,485  | 7,379,944  | 6,301,925  | 5,116,739 |
| Property, Plant and Equipment  |                     | 450,262                                       | 422,567    | 373,866    | 375,915    | 383,808   |
| Right-of-use Assets            |                     | -   | -          | -          | -          | -         |
| Intangible Assets              |                     | 895   | 2,046      | 2,654      | -          | 278       |
| Other Assets                   |                     | 48,808  | 45,777     | 77,141     | 61,279     | 65,888    |
| Total Assets                   |                     | 13,350,895                                    | 11,735,298 | 11,347,114 | 10,691,054 | 9,391,575 |
| Current Liabilities            | Before distribution | 666,646                                       | 535,215    | 542,108    | 528,162    | 523,958   |
|                                | After Distribution  | Note 1  | 1,118,433  | 1,304,485  | 1,433,484  | 1,000,443 |
| Noncurrent Liabilities         |                     | 80,962  | 79,042     | 84,469     | 88,341     | 88,292    |
| Total Liabilities              | Before distribution | 747,608                                       | 614,257    | 626,577    | 616,503    | 612,250   |
|                                | After Distribution  | Note 1  | 1,197,475  | 1,388,954  | 1,521,825  | 1,088,735 |
| Capital Stock                  |                     | 952,971                                       | 952,971    | 952,971    | 952,971    | 952,971   |
| Capital Surplus                |                     | 796,691                                       | 796,691    | 796,691    | 796,691    | 796,691   |
| Retained Earnings              | Before distribution | 10,862,927                                    | 9,380,598  | 8,978,545  | 8,329,138  | 7,032,605 |
|                                | After Distribution  | Note 1  | 8,797,380  | 8,216,168  | 7,423,816  | 6,556,120 |
| Other Equity                   |                     | ( 9,302)                                      | ( 9,219)   | ( 7,670)   | ( 4,249)   | ( 2,942)  |
| Total Equity                   | Before distribution | 12,603,287                                    | 11,121,041 | 10,720,537 | 10,074,551 | 8,779,325 |
|                                | After Distribution  | Note 1  | 10,537,823 | 9,958,160  | 9,169,229  | 8,302,840 |

Note 1: Based the resolutions from the shareholders' meetings next following years. 2021 figures are pending for the approval from the shareholders' meeting.

Note 2: All financial statements are certified by the external auditors

## (II) 1. Condensed Statement of Comprehensive Income, Consolidated

Unit: NT\$ thousands

| Item \ Year   | Financial information from 2017~2021 (Note 1) |            |           |           |            | Financial information, as of March 31, 2022 (Note2) |
|---|---|------------|-----------|-----------|------------|---|
|   | 2021  | 2020       | 2019      | 2018      | 2017       |   |
| Operating Revenue   | 6,341,989                                     | 4,801,405  | 4,868,807 | 4,435,607 | 4,110,572  | 1,723,522   |
| Gross Profit  | 3,354,832                                     | 2,514,812  | 2,616,957 | 2,326,612 | 2,192,307  | 928,463   |
| Profit from Operations  | 2,719,682                                     | 1,961,609  | 2,015,151 | 1,738,196 | 1,665,077  | 769,323   |
| Non-Operating Income and Expenses                                   | ( 123,900)                                    | ( 419,464) | 9,502     | 433,682   | ( 441,247) | 369,055   |
| Profit Before Income Tax  | 2,595,782                                     | 1,542,145  | 2,024,653 | 2,171,878 | 1,223,830  | 1,138,378   |
| Net Profit for the Year   | 2,072,520                                     | 1,164,589  | 1,558,250 | 1,775,964 | 908,700    | 909,834   |
| Loss from Discontinuing Operation                                   | -   | -          | -         | -         | -          | -   |
| Net Profit for the Year   | 2,072,520                                     | 1,164,589  | 1,558,250 | 1,775,964 | 908,700    | 909,834   |
| Other Comprehensive Loss for the Year, Net of Income Tax            | ( 7,056)                                      | ( 1,708)   | ( 6,942)  | ( 4,253)  | ( 3,178)   | 5,156   |
| Total Comprehensive Income for the Year                             | 2,065,464                                     | 1,162,881  | 1,551,308 | 1,771,711 | 905,522    | 914,990   |
| Net Profit Attributable to Owner of the Company                     | 2,072,520                                     | 1,164,589  | 1,558,250 | 1,775,964 | 908,700    | 909,834   |
| Net Profit Attributable to Noncontrolling Interests                 | -   | -          | -         | -         | -          | -   |
| Total Comprehensive Income Attributable to Owner of the Company     | 2,065,464                                     | 1,162,881  | 1,551,308 | 1,771,711 | 905,522    | 914,990   |
| Total Comprehensive Income Attributable to Noncontrolling Interests | -   | -          | -         | -         | -          | -   |
| Earnings Per Share (NT\$)   | 21.75   | 12.22      | 16.35     | 18.64     | 9.54       | 9.55  |

Note 1: All financial statements are certified by the external auditors

Note 2: Financial statements of ended March 31, 2022 are reviewed by the external auditors

## 2. Condensed Statement of Comprehensive Income, Unconsolidated

Unit: NT\$ thousands

| Item \ Year  | Financial information from 2017~2021 (Note 1) |           |           |           |           |
|--|---|-----------|-----------|-----------|-----------|
|  | 2021  | 2020      | 2019      | 2018      | 2017      |
| Operating Revenue  | 2,475,665                                     | 1,835,129 | 1,981,482 | 1,932,513 | 1,995,243 |
| Gross Profit   | 751,800                                       | 642,767   | 698,596   | 662,743   | 751,573   |
| Profit from Operations                                   | 448,133                                       | 376,653   | 403,392   | 369,433   | 491,971   |
| Non-Operating Income and Expenses                        | 1,727,749                                     | 874,240   | 1,273,745 | 1,549,969 | 540,435   |
| Profit Before Income Tax                                 | 2,175,882                                     | 1,250,893 | 1,677,137 | 1,919,402 | 1,032,406 |
| Net Profit for the Year                                  | 2,072,520                                     | 1,164,589 | 1,558,250 | 1,775,964 | 908,700   |
| Loss from Discontinuing Operation                        | -   | -         | -         | -         | -         |
| Net Profit for the Year                                  | 2,072,520                                     | 1,164,589 | 1,558,250 | 1,775,964 | 908,700   |
| Other Comprehensive Loss for the Year, Net of Income Tax | ( 7,056)                                      | ( 1,708)  | ( 6,942)  | ( 4,253)  | ( 3,178)  |
| Total Comprehensive Income for the Year                  | 2,065,464                                     | 1,162,881 | 1,551,308 | 1,771,711 | 905,522   |
| Earnings Per Share (NT\$)                                | 21.75   | 12.22     | 16.35     | 18.64     | 9.54      |

Note 1: All financial statements are certified by the external auditors.

(III) Auditors' opinions from 2016 to 2020

| Year | Accounting Firm   | CPA                               | Opinion   |
|------|-------------------|-----------------------------------|---|
| 2017 | Deloitte & Touche | Wu Chiu-Yen and Kuo Lee-Yuan      | An Unmodified Opinion   |
| 2018 | Deloitte & Touche | Wu Chiu-Yen and Kuo Lee-Yuan      | An Unmodified Opinion   |
| 2019 | Deloitte & Touche | Chen Jhen-Li and Kuo Lee-Yuan     | An Unmodified Opinion for the Parent and An Unmodified Opinion with Emphasis of Matter Paragraph for the Consolidated |
| 2020 | Deloitte & Touche | Chen-Li Chen and Chia-Ling Chiang | An Unmodified Opinion   |
| 2021 | Deloitte & Touche | Chen-Li Chen and Chia-Ling Chiang | An Unmodified Opinion   |

## II Five-year financial Analysis:

### (I) 1. Consolidated

| Analysis Item \ Year    |   | Financial Analysis from 2017 to 2021 (Note 1) |        |        |        |        | Financial information, as of March 31, 2022 (Note 2) |
|-------------------------|---|---|--------|--------|--------|--------|--|
|                         |   | 2021  | 2020   | 2019   | 2018   | 2017   |  |
| Financial Structure (%) | Ratio of liabilities to assets                  | 18.33   | 16.85  | 15.67  | 10.10  | 11.19  | 19.03  |
|                         | Long-term Fund to Property, Plant and Equipment | 569.33  | 635.66 | 836.39 | 751.36 | 622.05 | 554.84   |
| Solvency                | Current Ratio (%)                               | 723.46  | 799.32 | 825.27 | 926.31 | 811.01 | 766.26   |
|                         | Quick Ratio (%)                                 | 666.72  | 762.98 | 786.54 | 878.67 | 766.23 | 706.86   |
|                         | Times Interest Earned (Times)                   | 266.06  | 136.66 | 179.17 | N/A    | N/A    | 444.81   |
| Operating Performance   | Receivables Turnover (Times)                    | 4.51  | 4.35   | 4.47   | 4.42   | 3.97   | 4.16   |
|                         | Days Sales Outstanding (Days)                   | 81  | 84     | 82     | 83     | 92     | 88   |
|                         | Inventory Turnover (Times)                      | 4.30  | 4.92   | 4.84   | 4.70   | 5.11   | 3.30   |
|                         | Payables Turnover (Times)                       | 5.98  | 5.83   | 6.78   | 6.68   | 6.00   | 5.49   |
|                         | Days Inventory (Days)                           | 85  | 74     | 75     | 78     | 71     | 111  |
|                         | Property, Plant and Equipment Turnover (Times)  | 2.59  | 2.53   | 3.55   | 3.27   | 2.88   | 2.55   |
|                         | Total Assets Turnover (Times)                   | 0.41  | 0.35   | 0.38   | 0.39   | 0.41   | 0.41   |
| Profitability           | Return on Total Assets (%)                      | 14.44   | 8.99   | 13.10  | 16.84  | 9.17   | 22.70  |
|                         | Return on Total Equity (%)                      | 17.47   | 10.66  | 14.98  | 18.83  | 10.42  | 27.86  |
|                         | Pre-tax Income to Paid-in Capital Ratio (%)     | 272.38  | 161.82 | 212.45 | 227.90 | 128.42 | 477.82   |
|                         | Net Margin (%)                                  | 32.67   | 24.25  | 32.00  | 40.03  | 22.10  | 52.78  |
|                         | Earnings Per Share (NT\$)                       | 21.75   | 12.22  | 16.35  | 18.64  | 9.54   | 9.55   |
| Cash Flow               | Cash Flow Ratio (%)                             | 90.39   | 119.63 | 157.50 | 176.97 | 86.72  | 196.95   |
|                         | Cash Flow Adequacy Ratio (%)                    | 136.35  | 158.86 | 178.53 | 185.20 | 185.01 | 157.21   |
|                         | Cash Flow Reinvestment Ratio (%)                | 6.15  | 6.22   | 8.71   | 11.62  | 0.93   | 5.16   |
| Leverage                | Operating Leverage                              | 1.16  | 1.20   | 1.20   | 1.23   | 1.21   | 1.14   |
|                         | Financial Leverage                              | 1.00  | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |

#### Analysis of differences for the last two years

1. The growth of times interest earned, return on total assets, return on total equity, pre-tax income to paid-in capital ratio, net margin, and earnings per share in 2021 were mainly due to the increase of NT\$1,053,637 thousand in net profit before tax resulted from the positive effects from the launch of new products and the steady profit which was not impacted by the New Taiwan Dollar appreciation and the sharp increase in the prices of raw materials.
2. The fall of cash flow ratio was mainly due to the increase in current liability by NT\$ 347,973 thousand in 2021 compared to those in 2020.

Note 1: All financial statement are certified by the external auditors

Note 2: Financial statements of ended March 31, 2022 are reviewed by the external auditors

#### 2. Financial Analysis from 2016 to 2020, Unconsolidated

| Analysis Item           |   | Financial Analysis from 2017 to 2021 (Note 1) |          |          |          |          |
|-------------------------|---|---|----------|----------|----------|----------|
|                         |   | 2021  | 2020     | 2019     | 2018     | 2017     |
| Financial Structure (%) | Ratio of liability to Assets                    | 5.60  | 5.23     | 5.52     | 5.76     | 6.51     |
|                         | Long-term Fund to Property, Plant and Equipment | 2,817.08                                      | 2,650.48 | 2,890.07 | 2,703.50 | 2,310.43 |
| Solvency                | Current Ratio (%)                               | 574.95  | 582.83   | 648.12   | 748.24   | 729.99   |
|                         | Quick Ratio (%)                                 | 522.50  | 548.69   | 614.33   | 708.96   | 691.32   |
|                         | Times Interest Earned (Times)                   | N/A   | N/A      | N/A      | N/A      | N/A      |
| Operating Performance   | Receivables Turnover (Times)                    | 4.51  | 4.23     | 4.61     | 4.36     | 4.37     |
|                         | Days Sales Outstanding (Days)                   | 81  | 86       | 79       | 84       | 84       |
|                         | Inventory Turnover (Times)                      | 6.92  | 7.17     | 7.35     | 6.93     | 7.62     |
|                         | Payables Turnover (Times)                       | 7.94  | 6.51     | 7.16     | 7.09     | 6.53     |
|                         | Days Inventory (Days)                           | 53  | 51       | 50       | 53       | 48       |
|                         | Property, Plant and Equipment Turnover (Times)  | 5.49  | 4.34     | 5.30     | 5.14     | 5.19     |
|                         | Total Assets Turnover (Times)                   | 0.18  | 0.15     | 0.17     | 0.18     | 0.21     |
| Profitability           | Return on Total Assets (%)                      | 16.52   | 10.09    | 14.14    | 17.68    | 9.68     |
|                         | Return on Total Equity (%)                      | 17.47   | 10.66    | 14.98    | 18.83    | 10.42    |
|                         | Pre-tax Income to Paid-in Capital Ratio (%)     | 228.32  | 131.26   | 175.99   | 201.41   | 108.33   |
|                         | Net Margin (%)                                  | 83.71   | 63.46    | 78.64    | 91.89    | 45.54    |
|                         | Earnings Per Share (NT\$)                       | 21.75   | 12.22    | 16.35    | 18.64    | 9.54     |
| Cash Flow               | Cash Flow Ratio (%)                             | 140.39  | 85.57    | 113.84   | 122.16   | 38.95    |



| Analysis Item \ Year  |                                  | Financial Analysis from 2017 to 2021 (Note 1) |       |        |        |        |
|---|----------------------------------|---|-------|--------|--------|--------|
|   |                                  | 2021  | 2020  | 2019   | 2018   | 2017   |
|   | Cash Flow Adequacy Ratio (%)     | 72.85   | 75.25 | 103.95 | 130.33 | 136.08 |
|   | Cash Flow Reinvestment Ratio (%) | 2.57  | -2.50 | -2.45  | 1.52   | -5.96  |
| Leverage  | Operating Leverage               | 1.48  | 1.50  | 1.49   | 1.53   | 1.35   |
|   | Financial Leverage               | 1.00  | 1.00  | 1.00   | 1.00   | 1.00   |
| <p>Analysis of differences for the last two years</p> <ol style="list-style-type: none"> <li>1. The growth of profitability (including return on total assets, return on total equity, pre-tax income to paid-in capital ratio, net margin, and earnings per share) in 2021 were mainly due to the increase of NT\$1,053,637 thousand in net profit before tax resulted from the positive effects from the launch of new products and the steady profit which was not impacted by the New Taiwan Dollar appreciation and the sharp increase in the prices of raw materials.</li> <li>2. The rise of the payables turnover and property, plant and equipment turnover was mainly due to the increase in both of the sales revenue and cost generated from the launch of new products.</li> <li>3. The rise of cash flow ratio was mainly due to the increase in net cash inflow from operating activities by NT\$ 477,895 thousand in 2021 compared to those in 2020.</li> </ol> |                                  |   |       |        |        |        |

Note: All financial statement are certified by the external auditors

#### Calculation equations:

##### 1. Financial structure

(1) Ratio of liability to Assets = total liabilities/total assets

(2) Long term funds to Property, Plant and Equipment = (net shareholder's equity + long-term liabilities)/net Property, Plant and Equipment

##### 2. Solvency

(1) Current ratio=current assets/current liabilities

(2) Quick ratio=(current assets-inventory-prepaid expense)/current liabilities

(3) Times Interest Earned= income before tax and interest expense/interest expense

##### 3. Operating Performance

(1) Receivable turnover (including accounts receivable and notes receivable resulted from business operation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)

(2) Days Sales Outstanding = 365/account receivable turnover

(3) Inventory turnover=operating cost/average inventory

(4) Payable turnover (including accounts payable and notes payable resulted from business operation) =operating costs/average balance of account payable (including accounts payable

and notes payable resulted from business operation)

(5) Days Inventory =  $365 / \text{average inventory turnover}$

(6) Property, plant and equipment turnover =  $\text{net sales} / \text{average net property, plant and equipment}$

(7) Total assets turnover =  $\text{net sales} / \text{average total assets}$

#### 4. Profitability

(1) Return on total assets =  $[\text{net profit} + \text{interest expenses} * (1 - \text{effective tax rate})] / \text{average total assets}$

(2) Return on equity =  $\text{net profit} / \text{average equity}$

(3) Net margin =  $\text{net profit} / \text{net sales}$

(4) Earnings per share =  $(\text{net profit attributable to shareholders of the parent} - \text{preferred stock dividend}) / \text{weighted average number of shares outstanding}$

#### 5. Cash flows

(1) Cash flow ratio =  $\text{net cash from operating activities} / \text{current liabilities}$

(2) Cash flow adequacy ratio =  $\text{five-year sum of cash from operations} / \text{five-year sum of (capital expenditures, inventory additions, and cash dividend)}$

(3) Cash flow reinvestment ratio =  $(\text{cash from operating activities} - \text{cash dividends}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other noncurrent assets} + \text{working capital})$

#### 6. Leverage

(1) Operating leverage =  $(\text{net sales} - \text{variable cost}) / \text{operating income}$

(2) Financial leverage =  $\text{operating income} / (\text{operating income} - \text{interest expenses})$

**III. Supervisors' or audit committee's report for the most recent year's financial statement:**

Please refer to Page 144 in this annual report.

**IV. Financial statement for the most recent fiscal year:** Please refer to Page 146 to Page 198 in this annual report.

**V. Certified financial statement for the most recent fiscal year:** Please refer to Page 199 to Page 242 in this annual report.

**VI. Financial difficulties experienced by the Company and its subsidiaries during the most recent fiscal year and the current year up to the publication date of the annual report and impacts to the financials:** None.

## Seven. Review of financial conditions, operating results, and risk management

### I. Analysis of financial status

Main reasons for and impacts from any material change in assets, liabilities, or equity during the past two fiscal years. Countermeasures if the impacts are of material significance

Unit: NTD thousands.

| Item \ Year                                       | 2021 end          | 2020 end          | Change           |              |
|---|-------------------|-------------------|------------------|--------------|
|   |                   |                   | Amount           | %            |
| Current Assets                                    | \$ 12,151,398     | \$ 10,644,226     | \$ 1,507,172     | 14.16        |
| Property, Plant and Equipment                     | 2,445,722         | 1,894,661         | 551,061          | 29.08        |
| Right-of-use Assets                               | 624,881           | 662,028           | ( 37,147)        | ( 5.61)      |
| Intangible Assets                                 | 3,405             | 2,810             | 595              | 21.17        |
| Other Assets                                      | 207,462           | 171,551           | 35,911           | 20.93        |
| <b>Total Assets</b>                               | <b>15,432,868</b> | <b>13,375,276</b> | <b>2,057,592</b> | <b>15.38</b> |
| Current Liabilities                               | 1,679,618         | 1,331,645         | 347,973          | 26.13        |
| Noncurrent Liabilities                            | 1,149,963         | 922,590           | 227,373          | 24.65        |
| <b>Total Liabilities</b>                          | <b>2,829,581</b>  | <b>2,254,235</b>  | <b>575,346</b>   | <b>25.52</b> |
| Equity Attributable to Shareholders of the Parent | 12,603,287        | 11,121,041        | 1,482,246        | 13.33        |
| Capital Stock                                     | 952,971           | 952,971           | -                | -            |
| Capital Surplus                                   | 796,691           | 796,691           | -                | -            |
| Retained Earnings                                 | 10,862,927        | 9,380,598         | 1,482,329        | 15.80        |
| Other Equity                                      | ( 9,302)          | ( 9,219)          | ( 83)            | 0.90         |
| Treasury Stock                                    | -                 | -                 | -                | -            |
| Noncontrolling Interests                          | -                 | -                 | -                | -            |
| <b>Total of Equity</b>                            | <b>12,603,287</b> | <b>11,121,041</b> | <b>1,482,246</b> | <b>13.33</b> |

1. Analysis:

- (1) The increase in property, plant and equipment was mainly due to the intelligent factory construction of the subsidiary, King Slide Technology Co., Ltd. has been under construction since 2020 and resulted in the increasing amounts of unfinished construction and equipment pending acceptance.
- (2) The increase in intangible assets was mainly due to the expenditure of NT\$2,590 thousand on computer software in 2021.
- (3) The increase in other assets was mainly due to the amount of NT\$29,621 thousand on prepaid land and equipment at the end of 2021.
- (4) The increase in current liabilities was mainly due to both of the increase in accounts and notes payable resulted from the rising purchased volume along with the sales growth and the increase in tax liabilities contributed from the profit growth in 2021.
- (5) The increase in noncurrent liabilities was mainly due to the Stay-in-Taiwan Preferential Loans for the construction of intelligent factory in King Slide Technology Co. Ltd.
- (6) The increase in total liabilities was as explained above analysis (4) and (5).

2. Countermeasure: None.

## II. Analysis of financial performance

Main reasons for material changes in operating revenues, operating income, or income before tax during the past two fiscal years. Sales forecast and the effect upon the financials and operation with measures to be taken in:

| Unit: NT\$ thousands  |            |                     |            |                     |                   |                 |
|---|------------|---------------------|------------|---------------------|-------------------|-----------------|
| Item  | 2021       |                     | 2020       |                     | Change            | Change %<br>(%) |
|   | Sub-total  | Total               | Sub-total  | Total               |                   |                 |
| Net revenue   |            | \$6,341,989         |            | \$4,801,405         | \$ 1,540,584      | 32.09           |
| Operating cost  |            | <u>2,987,157</u>    |            | <u>2,286,593</u>    | <u>700,564</u>    | 30.64           |
| Gross Profit  |            | 3,354,832           |            | 2,514,812           | 840,020           | 33.40           |
| Operating expenses  |            | <u>635,150</u>      |            | <u>553,203</u>      | <u>81,947</u>     | 14.81           |
| Operation income  |            | 2,719,682           |            | 1,961,609           | 758,073           | 38.65           |
| Non-Operating Income and Expenses   |            |                     |            |                     |                   |                 |
| Interest income   | \$ 20,066  |                     | \$ 73,078  |                     |                   |                 |
| Other gains and losses  | ( 134,173) |                     | ( 481,175) |                     |                   |                 |
| Financial cost  | ( 9,793)   | ( 123,900)          | ( 11,367)  | ( 419,464)          | <u>295,564</u>    | ( 70.46)        |
| Income Before Income Tax  |            | 2,595,782           |            | 1,542,145           | 1,053,637         | 68.32           |
| Income tax expense  |            | <u>523,262</u>      |            | <u>377,556</u>      | <u>145,706</u>    | 38.59           |
| Net profit  |            | <u>\$ 2,072,520</u> |            | <u>\$ 1,164,589</u> | <u>\$ 907,931</u> | 77.96           |
| Explanation:  |            |                     |            |                     |                   |                 |
| 1. Change analysis  |            |                     |            |                     |                   |                 |
| (1) The growth of net revenue, operating cost, gross profit, operation income, income before income tax, income tax expense, and net profit in 2021 were mainly due to the positive effects from the launch of new products and the steady profit which was not impacted by the continuous sharp increase in the prices of raw materials. |            |                     |            |                     |                   |                 |
| (2) The decrease in non-operation expenses was mainly due to the mitigation of soaring currency appreciation in 2021 resulted in the decrease in net exchange loss by NT\$337,315 thousand from 2020.   |            |                     |            |                     |                   |                 |
| 2. Based on the previous sales, current orders taken, future market analysis, etc., the sales forecasts of major products are 17,286 thousand sets in rail kits, 257 thousand sets in slides, and 3,935 thousand units in hinges respectively.  |            |                     |            |                     |                   |                 |
| 3. Countermeasure: None.  |            |                     |            |                     |                   |                 |

## III. Analysis of cash flow

(I) Cash flow analysis for the most recent year, corrective measures for illiquidity

| Item                     | Year   |        | Change %<br>(%) |
|--------------------------|--------|--------|-----------------|
|                          | 2021   | 2020   |                 |
| Cash flow ratio          | 90.39  | 119.63 | ( 24.44)        |
| Cash flow adequacy ratio | 136.35 | 158.86 | ( 14.17)        |
| Cash re-investment ratio | 6.15   | 6.22   | ( 1.13)         |

|   |
|---|
| Explanation:  |
| 1. Change analysis  |
| (1) The fall of cash flow ratio was mainly due to the increase in current liability by NT\$ 347,973 thousand in 2021 compared to those in 2020. |
| (2) The decline of cash flow adequacy ratio was mainly due to the increases in inventory and capital expenditures.                              |
| (3) The difference of cash re-investment ratio between 2020 and 2021 was immaterial.  |
| 2. Improvement plan: None.  |

(II) Liquidity analysis for the coming year

| Unit: NT\$ thousands   |  |                         |  |                                    |                 |
|--|--|-------------------------|--|------------------------------------|-----------------|
| Cash and cash equivalents, beginning of year ①   | Estimated Net Cash Flow from Operating Activities② | Estimated Cash Outflow③ | Estimated cash Surplus (Deficit) ①+②-③ | Remedy for remedy for cash deficit |                 |
|  |  |                         |  | Investment plans                   | Financing plans |
| \$7,926,374  | \$2,977,499  | \$1,028,619             | \$9,875,254                            | \$ -                               | \$ -            |
| 1. Cash flow analysis:<br>(1) Net cash inflow from operation activities: Mainly due to the expected positive operating result in 2022.<br>(2) Net cash outflow from investment activities: Mainly due to expenditures for property, plant and facilities in 2022.<br>(3) Net cash outflow from financial activities: Mainly due to cash dividend distribution in 2022 and the Stay-in-Taiwan Preferential Loans.<br>2. Remedy for cash deficit and liquidity analysis: Not applicable. |  |                         |  |                                    |                 |

**IV. Major capital expenditure in the last year and its impacts to financials and business:**

In order to reduce the production and operating costs of the new series of European style premium kitchen slides which has been long developed by the subsidiary, King Slide Technology Co., Ltd., and has begun to be shipped in 2019, the Intelligent No. 2 Plant of King Slide Technology Co., Ltd., located in Southern Taiwan Science Park - Kaohsiung Park, has been scheduled to commence construction in 2020, expected to be completed by July 2022 and put in produce. The total amount of funds required is expected to be approximately NT\$ 2 billion, with the source of self-owned funds and “Stay-in-Taiwan Preferential Loans”.

**V. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the coming year:**

(I) Investment policy in the last year: There was no plan for additional investment in 2018.

(II) Main causes for profits or losses:

1. King Slide Technology (China) Co.,Ltd., owned by our 100%-owned King Slide (Samoa) Co., Ltd., is still in the early stage of operation. The investment gains using the equity

method recognized from the subsidiary was NT\$ 8,990 thousand in 2021.

2. Investment gains using the equity method recognized from King Slide Technology Co., Ltd. in 2021 reached NT\$ 1,731,291 thousand, which indicated increasing investment benefits.

(III) Improvement plan: Not applicable

(IV) Investment plans for the coming year: None.



## VI. Risk analysis

- (I) Impacts to the Company's profits (losses) from interest and exchange rate fluctuations and changes in the inflation rate, and countermeasures:

### 1. Interest and exchange rate

Unit: NT\$ thousands

| Items             |                          | 2021      | As a percentage of income before tax | 2020       | As a percentage of income before tax | Q1, 2022 | As a percentage of income before tax |
|-------------------|--------------------------|-----------|--------------------------------------|------------|--------------------------------------|----------|--------------------------------------|
| Finance cost      | Lease liability interest | ( 10,815) | ( 0.42%)                             | ( 11,338)  | ( 0.74%)                             | ( 2,771) | ( 0.25%)                             |
|                   | Loans interest           | ( 2,818)  | ( 0.11%)                             | ( 287)     | ( 0.02%)                             | ( 1,048) | ( 0.09%)                             |
|                   | Capitalized Interest     | 3,840     | 0.15%                                | 258        | 0.02%                                | 1,254    | 0.11%                                |
|                   | Total                    | ( 9,793)  | ( 0.38%)                             | ( 11,367)  | ( 0.74%)                             | ( 2,565) | ( 0.23%)                             |
| Net exchange gain |                          | (178,697) | ( 6.88%)                             | ( 516,012) | ( 33.46%)                            | 353,201  | 31.03%                               |

- (1) The initial adoption of IFRS 16 Leases on January 1, 2019 and the construction loan draw request in 2020 for the new plant construction of the subsidiary, King Slide Technology Co., Ltd. resulted in NT\$11,367 thousand, NT\$9,793 thousand, and NT\$2,565 thousand of the interest expense from lease liabilities, loans, and capitalization in 2020, 2021, and the first quarter of 2022, and contributed only -0.74%, -0.38%, and -0.23% to the profit before income tax, respectively. The interest increase made insignificant influence on the Company's profitability.
- (2) Net foreign exchange gains and losses accounted for the profit before income tax by -33.46%, -6.88%, and 31.03% of 2020, 2021, and the first quarter of 2022 respectively. The Company has made sales abroad by 77% of total, and which makes the Company sensitive to the exchange rate fluctuation. During the year of 2020 and 2021, the Company had a loss of NT\$516,012 thousand and NT\$178,697 thousand due to the exchange rate appreciation, accounted for the profit before the income tax by -33.46% and -6.88% of the year. The Company had a loss of NT\$353,201 thousand resulted from the exchange rate depreciation in the first quarter of 2022. To respond to the global economic instability and more significant exchange rate fluctuation, the Company has increased foreign purchase to hedge exposure to foreign exchange risks instead of using derivative financial instruments. Despite the volatility of exchange gains or losses in the short run, the innovation and evolution of our products shall keep the business performance improving and be limitedly

influenced by the exchange rate fluctuation.

## 2. Inflation:

The impact of inflation on the Company's profitability has not been severe for now, but might increase the manufacturing costs and expenditures. In order to respond to the risk, the Company has proactively engaged in the research and development of high value-added products as well as managed to increase operating efficiency and reduce manufacturing costs.

## (II) Impacts from the policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions. The main reasons for the profits/losses generated thereby; and countermeasures

The Company has never engaged in high-risk investments or borrowing to others etc. Any derivative trading engaged by the Company is for the purpose of exchange rate hedging for the assets or liabilities held. The gains was generated due to the execution rate was higher than the average rate of the net assets, thus risk-free. The Company plans to continue dealing for hedging purpose.

## (III) Future research and development, and estimate expenditures for research and development:

Unit: NT\$ thousands

| R&D Project  | Current progress                     | Estimated R&D expenditure           | Estimated mass production timeline | Factors affecting the results of R&D    |
|--|--------------------------------------|-------------------------------------|------------------------------------|---|
| 1. Full-line of environmental and innovative mechanical IOT products that can be apply in household and personal applications and features of user-friendly, safety, convenience, light-weight, easy assembly and high-quality function.<br>2. Continues development on the innovative application of integrated Cloud server slide Rail kits<br>3. Continues development and integration on innovative application of Kitchen and peripheral system cabinet Rail kits | Design Brainstorming and Integration | 1. 80,000<br>2. 45,000<br>3. 95,000 | From 2021 to 2023                  | Innovation and technology breakthroughs |

## (IV) Effects and countermeasures to the changes in domestic, international policies, and

regulations relating to corporate financials and sales:

No changes in domestic and international policies and regulations have made significant impacts to the Company.

- (V) Effects and countermeasures to the changes in technology (including the risk of cyber security) and industry relating to financials and sales:

Due to the evolution in the server market and rise of Cloud data centers, markets for rail server, blade server, storage, data center and platform vendor have enlarged and spurred increasing R&D activities in rack markets and in the Company. We believe our current production capacity and technologies are capable of handling the new business opportunities. Plus the positive feedbacks from the new rail kits for the high-end kitchen cabinets the sales gradually increase, the technology changes have positive impact to the Company's financials and business.

As for the risk of cyber security deriving from the technology change, by following the Company defined cyber security framework, continuously collecting and updating critical cyber security information in practice, and conducting the rolling review of the performance of related policies and procedures, there has been no significant cyber security incident occurred to the Company.

- (VI) The Impact of changes in corporate image on corporate risk management, and the Company's countermeasures:

No such event has occurred to the Company.

- (VII) Expected benefits from, risks relating to and countermeasures to merger and acquisition plans:

No such event has occurred to the Company.

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

- (IX) Risks and response to the concentration of supplier and customer:

1. Risks of supplier concentration and countermeasures:

China Steel is the Company's key supplier. To secure the delivery and supply, the Company signs quarterly purchase contract with the company. Our relation with China Steel is stable and long-term oriented. In the meantime, we have created a supplier list to adjust supply when necessary and diversify the concentration risk.

2. Risks of customer concentration and countermeasures:

As the designated manufacturer and trading hub for multiple major international server suppliers, the shipments to customer A contributed to more than 10% of the Company's net operation revenue in the most recent 2 fiscal years. Customer B is a

brand manufacturer with numbers of customers, and its brand extension contributed 10.6% to the Company's net operation revenue in 2019. Given the concentration of the sales resulted from the industrial business model, the Company is dedicated to expand customer base and diversify product lines to reduce the risk of excessive sales concentration.

(X) Effects of, risks relating to and countermeasures to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%: None.

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

(XII) Litigation or non-litigation matters: None.

(XIII) Other major risks and countermeasures: None.

**VII. Other Important Matters:** None.

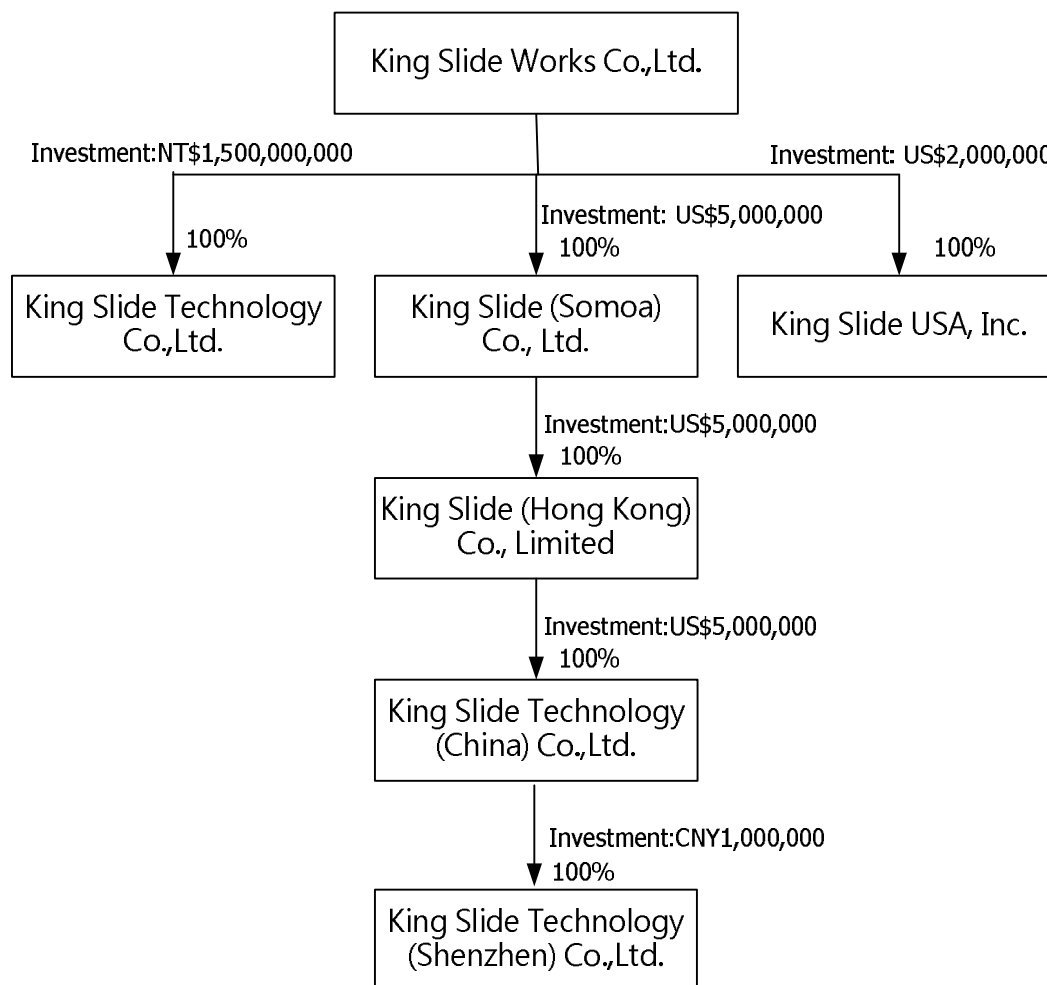
## **Eight: Other Special Notes**

### **I. Subsidiary Companies:**

#### **(I) Consolidated business report of subsidiaries**

##### **1. Subsidiaries Chart:**

March 31 ,2022



## 2. General information of subsidiaries:

March 31, 2021

| Company name                               | Date of establishment | Address  | Paid-in capital    | Business activities  |
|--|-----------------------|--|--------------------|--|
| King Slide USA, Inc.                       | 11/06/2006            | 12989 Bellaire Blvd. #8, Houston, TX 77072   | US\$ 2,000,000     | Trade of rail kits, slides and accessories   |
| King Slide Technology Co., Ltd.            | 01/08/2007            | No. 6, Luke 9th Rd., Luzhu Dist., Kaohsiung City 821, Taiwan   | NT\$ 1,126,000,000 | Manufacture and sales of mechanical rail kit products which integrated in servers and network-related equipment.   |
| King Slide (Samoa) Co., Ltd.               | 02/01/2008            | PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 1225, APIA, SAMOA   | US\$ 5,000,000     | International investment   |
| King Slide (Hong Kong) Co., Limited        | 03/05/2008            | Unit 1606, 16/F., Citicorp Centre, No. 18 Whitfield Road, Causeway Bay, H.K.   | US\$ 5,000,000     | International investment   |
| King Slide Technology (China) Co., Ltd.    | 07/25/2008            | Room 426, No. 473 Fu Te Xi Yi Road, Waigaoqiao Free Trade Zone, Shanghai   | US\$ 5,000,000     | Wholesale and provide related services for rail kits, slides and accessories   |
| King Slide Technology (Shenzhen) Co., Ltd. | 07/23/2019            | Room 1046, West, 1st Floor, Building A, Tengfei Industry Mansion, No. 6, Taohua Rd., Fubao Community, Fubao St., Futian District, Shenzhen City, Guangdong Province, China | CNY 1,000,000      | Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies. |

## 3. Shareholders of companies meets the presumption of a control or subordination relationship

## 4. Business scopes of the business operated by the subsidiaries:

Please refer to the table of general information of subsidiaries for their business activities

## 5. Directors, supervisors and presidents of the subsidiaries:

| Company name                               | Title                            | Name or representative | Share held        |   |
|--|----------------------------------|------------------------|-------------------|---|
|  |                                  |                        | Numbers of shares | % |
| King Slide USA, Inc.                       | Chairman                         | Lin Tsung-Chi          | —                 | — |
|  | General manager                  | Wang Chun Chiang       | —                 | — |
| King Slide Technology Co., Ltd.            | Chairman                         | Lin Tsung-Chi          | —                 | — |
|  | Director                         | Lin Shu-Hui            | —                 | — |
|  | Director                         | Lin Shu-Chen           | —                 | — |
|  | Supervisor                       | Zheng Yu-Ba            | —                 | — |
|  | General manager                  | Lin Shu-Chen           | —                 | — |
| King Slide (Samoa) Co., Ltd.               | Executive director               | Lin Shu-Hui            | —                 | — |
| King Slide (Hong Kong) Co., Limited        | Executive director               | Zheng Yu-Ba            | —                 | — |
| King Slide Technology (China) Co., Ltd.    | Executive director and president | Lin Shu-Chen           | —                 | — |
|  | Supervisor                       | Wang Chun-Zhi          | —                 | — |
| King Slide Technology (Shenzhen) Co., Ltd. | Executive director and manager   | Wang Chun Chiang       | —                 | — |

## 6. Operational Highlights from Subsidiaries:

December 31, 2021 (Unit: NT\$ thousand; thousand shares)

| Re-invested enterprises                    | Core business  | Investment amount | Book value | Shareholding      |                    | Share net worth | Market value | Accounting treatment | Investment return in the most recent year |                       | Number of shares held |
|--|--|-------------------|------------|-------------------|--------------------|-----------------|--------------|----------------------|---|-----------------------|-----------------------|
|  |  |                   |            | Numbers of shares | Shareholding ratio |                 |              |                      | Investment gains/losses                   | Dividend distribution |                       |
| King Slide USA, Inc.                       | Trade of rail kits, slides and accessories   | 62,019            | 39,036     | 200               | 100%               | 39,036          | Note 1       | Equity method        | 2,854                                     | —                     | —                     |
| King Slide Technology Co., Ltd.            | Manufacture and sales of mechanical rail kit products which integrated in servers and network-related equipment. | 1,500,000         | 8,850,768  | 112,600           | 100%               | 8,850,768       | Note 1       | Equity method        | 1,731,291                                 | 869,650               | —                     |
| King Slide (Samoa) Co., Ltd.               | International investment   | 158,122           | 128,197    | 5,000             | 100%               | 131,675         | Note 1       | Equity method        | 8,990                                     | —                     | —                     |
| King Slide (Hong Kong) Co., Limited        | International investment   | 158,122           | 128,197    | 5,000             | 100%               | 131,675         | Note 1       | Equity method        | 8,990                                     | —                     | —                     |
| King Slide Technology (China) Co., Ltd.    | Wholesale and provide related services for rail kits, slides and accessories                                     | 157,282           | 128,197    | -                 | 100%               | 131,675         | Note 1       | Equity method        | 8,990                                     | —                     | —                     |
| King Slide Technology (Shenzhen) Co., Ltd. | Note 2   | 4,306             | 3,690      | -                 | 100%               | 3,690           | Note 1       | Equity method        | ( 250)                                    | —                     | —                     |

Note 1: Not applicable to not-listed entities

Note 2: Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.

(II) Consolidated Financial Statements of the Subsidiaries: Please refer to Page 147 in this annual report.

(III) Subsidiaries Report: Please refer to Page 147 in this annual report.

**II. Private placement of securities during the most recent fiscal year and the current fiscal year up to the publication date of the annual report Use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None**

**III. Shares in the Company Held or Disposed of by Subsidiaries during the most recent fiscal year and the current fiscal year up to the publication date of the annual report: None**

**IV. Other important supplementary information: None.**

**V. Events occurred during the most recent fiscal year and the current fiscal year up to the publication date of the annual report, which significantly affect shareholders' equity or price of shares pursuant to Paragraph 3.2 of Article 36 of the Securities and Exchange Act: None**



King Slide Works Co.,Ltd.  
Internal Control System Statement

Date: February 25, 2022

We have conducted the self-assessment of the internal controls for the year of 2021, and hereby declare that:

- I. We fully understand that the Board of Directors and the management of the Company is responsible for establishing, implementing and maintaining adequate internal controls, and we have established such system. The internal control system is a process designed to reasonably ensure that the objectives of the Company's operations, financial reporting and legal compliance are achieved. The objective of the operations is effectiveness and efficiency, including profits, performance and safeguarding asset security.
- II. Due to its inherent limitations, an effective internal control system may only provide reasonable assurance regarding the achievement of the three objectives above; also, the effectiveness of internal control system may vary because of changes in the environment and condition. We have established the self-monitoring mechanism over internal control system and once a defect is detected, we will take corrective action immediately.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. There are sub-items under each components. Please see the Regulation for detail.
- IV. We have conducted self-inspection and internal audit to examine the effectiveness of the design and implementation of internal control system.
- V. Based on the findings of such evaluation, The Company believes that, on December 31, 2021, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
- VI. This statement forms an integral part of the Company's annual report and prospectus. Any illegal misrepresentation or non-disclosure in the public statement above is subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities

and Exchange Act or the Insurance Act and other relevant laws and regulations

VII. The Statement was approved at the meeting of the board of directors on February 26, 2021, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

King Slide Works Co.,Ltd.

Chairman: Lin Tsung-Chi Signature

President: Lin Shu-Chen Signature

**King Slide Works Co., Ltd.**  
**Audit Committee's Review Report**

The Company's Board of Directors prepared and presented the 2021 individual financial statements, consolidated financial statements, business report, and earnings distribution proposal. The 2021 financial statements and consolidated financial statements were audited by CPA Chen-Li Chen and CPA Chia-Ling Chiang of Deloitte & Touche Taiwan with unmodified opinion for the parent and unmodified opinion with emphasis of matter paragraph for the consolidated issued in the independent auditor's report. The aforementioned accounting statements were reviewed and verified by the Audit Committee in accordance with the provisions of the Securities and Exchange Act and the Company Act.

To

The Company's 2022      Annual Meeting of Shareholders

King Slide Works Co., Ltd.

Audit Committee: Hsu Fang-Yih

February 25, 2022

## **DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the consolidated financial statements of affiliates of King Slide Works Co., Ltd. for the year ended December 31, 2021 under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, King Slide Works Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

King Slide Works Co., Ltd.

By

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Tsung-Chi Lin  
Chairman of the Board

February 25, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
King Slide Works Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of King Slide Works Co., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Company and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2021 is as follows:

#### **Recoverability of Accounts Receivable**

As of December 31, 2021, the net amount of accounts receivable of the Company and its subsidiaries was NT\$1,665,934 thousand, representing 11% of the Company and its subsidiaries' total assets. Management estimated the recoverability of accounts receivable based on the IFRS. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of the internal controls relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We verified the existence of the accounts receivable by examination of samples of confirmation letters, collection records after the balance sheet date, and delivery receipts signed by customers or shipping records.
2. We tested the aging schedule prepared by the Company and its subsidiaries against the supporting documents on a sample basis, individually assessed the recoverability of overdue accounts or doubtful accounts, and also reviewed the reasonableness of the impairment loss based on the historical experience in collection and other available information.

### **Other Matter**

We have also audited the parent company only financial statements of King Slide Works Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC, 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 Company and its subsidiaries' 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 and its subsidiaries' or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Company and its subsidiaries' financial reporting process.

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

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

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

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

Company and its subsidiaries' 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chen-Li Chen and Chia-Ling Chiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2022

Notice to Readers

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

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



# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|  | December 31, 2021 |     | December 31, 2020 |     |
|--|-------------------|-----|-------------------|-----|
| ASSETS   | Amount            | %   | Amount            | %   |
| CURRENT ASSETS   |                   |     |                   |     |
| Cash and cash equivalents (Notes 4 and 6)  | \$ 7,926,374      | 51  | \$ 9,050,089      | 68  |
| Financial assets at amortized cost - current (Note 7)                              | 1,494,612         | 10  | -                 | -   |
| Notes receivable (Notes 4 and 8)   | 66,868            | 1   | 57,123            | -   |
| Accounts receivable, net (Notes 4, 5 and 8)  | 1,665,934         | 11  | 1,021,874         | 8   |
| Other receivables  | 41,110            | -   | 30,003            | -   |
| Inventories (Notes 4 and 9)  | 925,619           | 6   | 464,089           | 4   |
| Other current assets   | 30,881            | -   | 21,048            | -   |
| Total current assets   | 12,151,398        | 79  | 10,644,226        | 80  |
| NONCURRENT ASSETS  |                   |     |                   |     |
| Property, plant and equipment (Notes 4, 11 and 26)                                 | 2,445,722         | 16  | 1,894,661         | 14  |
| Right-of-use assets (Notes 4 and 12)   | 624,881           | 4   | 662,028           | 5   |
| Software (Note 4)  | 3,405             | -   | 2,810             | -   |
| Deferred tax assets (Notes 4 and 21)   | 143,991           | 1   | 138,712           | 1   |
| Prepayments for equipment  | 61,546            | -   | 31,925            | -   |
| Refundable deposits  | 1,925             | -   | 914               | -   |
| Total noncurrent assets  | 3,281,470         | 21  | 2,731,050         | 20  |
| TOTAL  | \$ 15,432,868     | 100 | \$ 13,375,276     | 100 |
| LIABILITIES AND EQUITY   |                   |     |                   |     |
| CURRENT LIABILITIES  |                   |     |                   |     |
| Notes payable (Note 14)  | \$ 443,983        | 3   | \$ 339,531        | 3   |
| Accounts payable (Note 14)   | 122,577           | 1   | 92,619            | 1   |
| Other payables (Note 15)   | 656,952           | 4   | 554,890           | 4   |
| Current tax liabilities (Notes 4 and 21)   | 385,127           | 3   | 277,986           | 2   |
| Lease liabilities - current (Notes 4 and 12)                                       | 33,298            | -   | 32,766            | -   |
| Refund liability - current (Note 16)   | 20,718            | -   | 16,444            | -   |
| Other current liabilities  | 16,963            | -   | 17,409            | -   |
| Total current liabilities  | 1,679,618         | 11  | 1,331,645         | 10  |
| NONCURRENT LIABILITIES   |                   |     |                   |     |
| Long-term borrowings (Note 13)   | 452,357           | 3   | 199,496           | 2   |
| Deferred tax liabilities (Notes 4 and 21)  | 47,090            | -   | 47,090            | -   |
| Lease liabilities - noncurrent (Notes 4 and 12)                                    | 606,048           | 4   | 639,346           | 5   |
| Net defined benefit liabilities (Notes 4 and 17)                                   | 33,872            | -   | 31,952            | -   |
| Deferred revenue - noncurrent (Notes 4 and 13)                                     | 10,596            | -   | 4,706             | -   |
| Total noncurrent liabilities   | 1,149,963         | 7   | 922,590           | 7   |
| Total liabilities  | 2,829,581         | 18  | 2,254,235         | 17  |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18)                             |                   |     |                   |     |
| Ordinary shares  | 952,971           | 6   | 952,971           | 7   |
| Capital surplus  | 796,691           | 5   | 796,691           | 6   |
| Retained earnings  |                   |     |                   |     |
| Legal reserve  | 1,435,887         | 10  | 1,319,444         | 10  |
| Special reserve  | 9,219             | -   | 7,670             | -   |
| Unappropriated earnings  | 9,417,821         | 61  | 8,053,484         | 60  |
| Total retained earnings  | 10,862,927        | 71  | 9,380,598         | 70  |
| Other equity   |                   |     |                   |     |
| Exchange differences on translating the financial statements of foreign operations | (9,302)           | -   | (9,219)           | -   |
| Total equity   | 12,603,287        | 82  | 11,121,041        | 83  |
| TOTAL  | \$ 15,432,868     | 100 | \$ 13,375,276     | 100 |

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

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2021             |            | 2020             |            |
|--|------------------|------------|------------------|------------|
|  | Amount           | %          | Amount           | %          |
| OPERATING REVENUE (Notes 4, 16 and 19)   | \$ 6,341,989     | 100        | \$ 4,801,405     | 100        |
| OPERATING COSTS (Notes 9 and 20)   | <u>2,987,157</u> | <u>47</u>  | <u>2,286,593</u> | <u>48</u>  |
| GROSS PROFIT   | <u>3,354,832</u> | <u>53</u>  | <u>2,514,812</u> | <u>52</u>  |
| OPERATING EXPENSES (Notes 8 and 20)  |                  |            |                  |            |
| Selling and marketing  | 178,711          | 3          | 163,306          | 3          |
| General and administrative   | 206,841          | 3          | 182,854          | 4          |
| Research and development   | 234,628          | 4          | 208,825          | 4          |
| Expected credit loss (reversed)  | <u>14,970</u>    | <u>-</u>   | <u>(1,782)</u>   | <u>-</u>   |
| Total operating expenses   | <u>635,150</u>   | <u>10</u>  | <u>553,203</u>   | <u>11</u>  |
| PROFIT FROM OPERATIONS   | <u>2,719,682</u> | <u>43</u>  | <u>1,961,609</u> | <u>41</u>  |
| NON-OPERATING INCOME AND EXPENSES (Note 20)  |                  |            |                  |            |
| Interest income  | 20,066           | -          | 73,078           | 1          |
| Other gains and losses   | (134,173)        | (2)        | (481,175)        | (10)       |
| Finance costs  | <u>(9,793)</u>   | <u>-</u>   | <u>(11,367)</u>  | <u>-</u>   |
| Total non-operating income and expenses  | <u>(123,900)</u> | <u>(2)</u> | <u>(419,464)</u> | <u>(9)</u> |
| PROFIT BEFORE INCOME TAX   | 2,595,782        | 41         | 1,542,145        | 32         |
| INCOME TAX (Notes 4 and 21)  | <u>523,262</u>   | <u>8</u>   | <u>377,556</u>   | <u>8</u>   |
| NET PROFIT FOR THE YEAR  | <u>2,072,520</u> | <u>33</u>  | <u>1,164,589</u> | <u>24</u>  |
| OTHER COMPREHENSIVE INCOME (LOSS)<br>(Notes 17 and 21)                                       |                  |            |                  |            |
| Items that will not be reclassified subsequently to<br>profit or loss:                       |                  |            |                  |            |
| Remeasurement of defined benefit plans   | (8,716)          | -          | (199)            | -          |
| Income tax relating to items that will not be<br>reclassified subsequently to profit or loss | <u>1,743</u>     | <u>-</u>   | <u>40</u>        | <u>-</u>   |
|  | <u>(6,973)</u>   | <u>-</u>   | <u>(159)</u>     | <u>-</u>   |
| Items that may be reclassified subsequently to profit<br>or loss:                            |                  |            |                  |            |
| Exchange differences on translating the financial<br>statements of foreign operations        | (104)            | -          | (1,937)          | -          |

(Continued)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2021                        |                      | 2020                            |                      |
|--|-----------------------------|----------------------|---------------------------------|----------------------|
|  | Amount                      | %                    | Amount                          | %                    |
| Income tax relating to items that may be reclassified subsequently to profit or loss | \$ <u>21</u><br><u>(83)</u> | <u>-</u><br><u>-</u> | \$ <u>388</u><br><u>(1,549)</u> | <u>-</u><br><u>-</u> |
| Other comprehensive loss for the year, net of income tax                             | <u>(7,056)</u>              | <u>-</u>             | <u>(1,708)</u>                  | <u>-</u>             |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR  | <u>\$ 2,065,464</u>         | <u>33</u>            | <u>\$ 1,162,881</u>             | <u>24</u>            |
| NET PROFIT ATTRIBUTABLE TO:<br>Owners of the Company                                 | <u>\$ 2,072,520</u>         | <u>33</u>            | <u>\$ 1,164,589</u>             | <u>24</u>            |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:<br>Owners of the Company                 | <u>\$ 2,065,464</u>         | <u>33</u>            | <u>\$ 1,162,881</u>             | <u>24</u>            |
| EARNINGS PER SHARE (Note 22)   |                             |                      |                                 |                      |
| Basic  | <u>\$ 21.75</u>             |                      | <u>\$ 12.22</u>                 |                      |
| Diluted  | <u>\$ 21.55</u>             |                      | <u>\$ 12.14</u>                 |                      |

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

(Concluded)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   |                 |                 | Retained Earnings |                 |                            | Exchange<br>Differences on<br>Translation of the<br>Financial<br>Statements of<br>Foreign<br>Operations | Total Equity  |
|---|-----------------|-----------------|-------------------|-----------------|----------------------------|---|---------------|
|   | Ordinary Shares | Capital Surplus | Legal Reserve     | Special Reserve | Unappropriated<br>Earnings |   |               |
| BALANCE AT JANUARY 1, 2020  | \$ 952,971      | \$ 796,691      | \$ 986,023        | \$ 6,221        | \$ 7,336,894               | \$ (4,249)  | \$ 10,074,551 |
| Appropriation of 2019 earnings (Note 18)  |                 |                 |                   |                 |                            |   |               |
| Legal reserve   | -               | -               | 155,825           | -               | (155,825)                  | -   | -             |
| Special reserve   | -               | -               | -                 | 1,449           | (1,449)                    | -   | -             |
| Cash dividends distributed by the Company   | -               | -               | -                 | -               | (762,377)                  | -   | (762,377)     |
|   | -               | -               | 155,825           | 1,449           | (919,651)                  | -   | (762,377)     |
| Net profit for the year ended December 31, 2020                                     | -               | -               | -                 | -               | 1,164,589                  | -   | 1,164,589     |
| Other comprehensive loss for the year ended December 31, 2020,<br>net of income tax | -               | -               | -                 | -               | (159)                      | (1,549)   | (1,708)       |
| Total comprehensive income (loss) for the year ended December<br>31, 2020           | -               | -               | -                 | -               | 1,164,430                  | (1,549)   | 1,162,881     |
| BALANCE AT DECEMBER 31, 2020  | 952,971         | 796,691         | 1,319,444         | 7,670           | 8,053,484                  | (9,219)   | 11,121,041    |
| Appropriation of 2020 earnings (Note 18)  |                 |                 |                   |                 |                            |   |               |
| Legal reserve   | -               | -               | 116,443           | -               | (116,443)                  | -   | -             |
| Special reserve   | -               | -               | -                 | 1,549           | (1,549)                    | -   | -             |
| Cash dividends distributed by the Company   | -               | -               | -                 | -               | (583,218)                  | -   | (583,218)     |
|   | -               | -               | 116,443           | 1,549           | (701,210)                  | -   | (583,218)     |
| Net profit for the year ended December 31, 2021                                     | -               | -               | -                 | -               | 2,072,520                  | -   | 2,072,520     |
| Other comprehensive loss for the year ended December 31, 2021,<br>net of income tax | -               | -               | -                 | -               | (6,973)                    | (83)  | (7,056)       |
| Total comprehensive income (loss) for the year ended December<br>31, 2021           | -               | -               | -                 | -               | 2,065,547                  | (83)  | 2,065,464     |
| BALANCE AT DECEMBER 31, 2021  | \$ 952,971      | \$ 796,691      | \$ 1,435,887      | \$ 9,219        | \$ 9,417,821               | \$ (9,302)  | \$ 12,603,287 |

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

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   | 2021         | 2020         |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |              |              |
| Profit before income tax  | \$ 2,595,782 | \$ 1,542,145 |
| Adjustments for:  |              |              |
| Depreciation expenses   | 212,418      | 194,414      |
| Amortization expenses   | 1,995        | 1,590        |
| Expected credit loss (reversed)                                 | 14,970       | (1,782)      |
| Finance costs   | 9,793        | 11,367       |
| Recognition of refund liabilities                               | 4,274        | -            |
| Gain on disposal of property, plant and equipment, net          | (4,578)      | (804)        |
| Interest income   | (20,066)     | (73,078)     |
| Write-downs (reversal) of inventories                           | 3,240        | (1,105)      |
| Net loss on foreign currency exchange                           | 21,556       | 370,256      |
| Changes in operating assets and liabilities                     |              |              |
| Notes receivable  | (9,745)      | (9,380)      |
| Accounts receivable   | (659,030)    | 59,633       |
| Other receivables   | (10,735)     | (11,677)     |
| Inventories   | (464,770)    | 1,700        |
| Other current assets  | (9,833)      | 5,766        |
| Notes payable   | 107,052      | (5,148)      |
| Accounts payable  | 29,958       | (7,394)      |
| Other payables  | 112,749      | (20,214)     |
| Refund liabilities  | -            | (1,457)      |
| Other current liabilities                                       | (446)        | (2,652)      |
| Net defined benefit liabilities                                 | (4,640)      | (4,285)      |
| Cash generated from operations                                  | 1,929,944    | 2,047,895    |
| Interest received   | 19,694       | 81,682       |
| Interest paid   | (11,761)     | (11,394)     |
| Income tax paid   | (419,636)    | (525,139)    |
| Net cash generated from operating activities                    | 1,518,241    | 1,593,044    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |              |              |
| Acquisition of investment accounted for using the equity method | (1,494,612)  | -            |
| Payments for property, plant and equipment                      | (767,674)    | (368,888)    |
| Proceeds from disposal of property, plant and equipment         | 5,016        | 921          |
| Increase in refundable deposits                                 | (1,011)      | (518)        |
| Payments for intangible assets                                  | (2,590)      | (1,310)      |
| Net cash used in investing activities                           | (2,260,871)  | (369,795)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |              |              |
| Proceeds from long-term borrowings                              | 256,900      | 204,000      |
| Repayment of the principal portion of lease liabilities         | (32,766)     | (32,244)     |
| Cash dividends  | (583,218)    | (762,377)    |
| Net cash used in financing activities                           | (359,084)    | (590,621)    |

(Continued)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

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|   | 2021                | 2020                |
|---|---------------------|---------------------|
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF<br>CASH AND CASH EQUIVALENTS HELD IN FOREIGN<br>CURRENCIES | \$ (22,001)         | \$ (371,746)        |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS   | (1,123,715)         | 260,882             |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR   | <u>9,050,089</u>    | <u>8,789,207</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR  | <u>\$ 7,926,374</u> | <u>\$ 9,050,089</u> |

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

(Concluded)

# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

King Slide Works Co., Ltd. (the “Company”) was incorporated in September 1986 under the laws of the Republic of China (ROC). The Company mainly manufactures, processes and sells the following products:

- Rail kits for cloud computing servers and data devices.
- Furniture accessories, slides and molds.

The Company’s shares have been listed on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 26, 2021.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the “Group”):

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

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

| New IFRSs  | Effective Date<br>Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets<br>between An Investor and Its Associate or Joint Venture”<br>IFRS 17 “Insurance Contracts” | To be determined by IASB<br>January 1, 2023  |

| <b>New IFRSs</b>  | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|---|--|
| Amendments to IFRS 17   | January 1, 2023                                      |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”             | January 1, 2023                                      |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”                           | January 1, 2023                                      |
| Amendments to IAS 1 “Disclosure of Accounting Policies”   | January 1, 2023 (Note 2)                             |
| Amendments to IAS 8 “Definition of Accounting Estimates”  | January 1, 2023 (Note 3)                             |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 4)                             |

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

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

##### **c. Classification of current and noncurrent assets and liabilities**

Current assets include:

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



Current liabilities include:

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

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of consolidation

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 10 and Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting the consolidated financial statements, the functional currencies of the entities in the Group are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

g. Property, plant and equipment

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

Freehold land is not depreciated.

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

#### h. Intangible assets

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

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

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

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

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

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

#### j. Financial instruments

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

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

##### 1) Financial assets

a) Measurement categories

Financial assets are classified into financial assets at amortized cost which meet the following conditions :

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

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

b) Impairment of financial assets

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

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

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

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

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 120 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

The financial liabilities held by the Group are measured at amortized cost using the effective interest method.

### b) Derecognition of financial liabilities

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

## k. Revenue recognition

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

Revenue from the sale of goods comes from sales of rail kits. Sales of rail kits are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

## l. Leases

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

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

Right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

m. Borrowing costs

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

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

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

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

The Group considers the possible impact when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

### Key sources of estimation uncertainty

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, refer to Note 8.

## **6. CASH AND CASH EQUIVALENTS**

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2020</b>         |
| Cash on hand  | \$ 77               | \$ 162              |
| Checking accounts and demand deposits                                       | 1,185,091           | 1,253,489           |
| Cash equivalents (investments with original maturities of 3 months or less) |                     |                     |
| Commercial papers   | 724,021             | 867,070             |
| Time deposits   | <u>6,017,185</u>    | <u>6,929,368</u>    |
|   | <u>\$ 7,926,374</u> | <u>\$ 9,050,089</u> |

The market interest rates of cash equivalents at the end of the reporting year were as follows:

|                       | <b>December 31</b> |             |
|-----------------------|--------------------|-------------|
|                       | <b>2021</b>        | <b>2020</b> |
| Commercial papers (%) | 0.24               | 0.27        |
| Time deposits (%)     | 0.16-2.26          | 0.20-1.90   |

The Group dealt with many creditworthy financial institutions to disperse credit risk; therefore there was no expected credit loss.

## **7. FINANCIAL ASSETS AT AMORTIZED COST - ONLY AS OF DECEMBER 31, 2021**

|  | <b>December 31,<br/>2021</b> |
|--|------------------------------|
| Time deposits with original maturities of more than 3 months | <u>\$ 1,494,612</u>          |

The annual interest rate of financial assets measured by amortized cost on the balance sheet date is as follows:

|                 | <b>December 31,<br/>2021</b> |
|-----------------|------------------------------|
| Annual rate (%) | 0.17                         |

The counterparties of the financial assets at amortized cost are mainly banks with good credit ratings. There is no significant doubt about the performance of the contract, and there is no significant credit risk in the assessment.

## **8. NOTES, ACCOUNTS AND OVERDUE RECEIVABLE, NET**

|                                     | <b>December 31</b>  |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | <b>2021</b>         | <b>2020</b>         |
| <b>Notes receivable</b>             |                     |                     |
| At amortized cost                   |                     |                     |
| Operating                           | \$ 66,868           | \$ 57,113           |
| Non-operating                       | <u>-</u>            | <u>10</u>           |
| Operating                           | <u>\$ 66,868</u>    | <u>\$ 57,123</u>    |
| <b>Accounts receivable</b>          |                     |                     |
| At amortized cost                   |                     |                     |
| Gross carrying amount               | \$ 1,683,684        | \$ 1,024,654        |
| Less: Allowance for impairment loss | <u>17,750</u>       | <u>2,780</u>        |
|                                     | <u>\$ 1,665,934</u> | <u>\$ 1,021,874</u> |
| <b>Overdue receivables</b>          |                     |                     |
| Non-accrual loan                    | \$ 1,213            | \$ 1,213            |
| Less: Allowance for impairment loss | <u>1,213</u>        | <u>1,213</u>        |
|                                     | <u>\$ -</u>         | <u>\$ -</u>         |

The average credit period of sales of goods was 30-150 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group makes allowance for expected credit loss at an amount equal to lifetime expected credit loss for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

There were no notes receivable that were past due or impaired at the end of the reporting year.

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

**December 31, 2021**

|                               | <b>Not Past Due</b> | <b>Past Due<br/>1 to 60 Days</b> | <b>Past Due<br/>61 to 90 Days</b> | <b>Past Due<br/>91 to 120 Days</b> | <b>Past Due<br/>Over 120 Days</b> | <b>Total</b>        |
|-------------------------------|---------------------|----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|---------------------|
| Expected credit loss rate (%) | 0-0.1               | 1                                | 10                                | 50                                 | 100                               | -                   |
| Gross carrying amount         | \$ 1,290,678        | \$ 347,152                       | \$ 31,504                         | \$ 9,098                           | \$ 5,252                          | \$ 1,683,684        |
| Loss allowance (Lifetime ECL) | <u>(1,328)</u>      | <u>(3,471)</u>                   | <u>(3,150)</u>                    | <u>(4,549)</u>                     | <u>(5,252)</u>                    | <u>(17,750)</u>     |
| Amortized cost                | <u>\$ 1,289,350</u> | <u>\$ 343,681</u>                | <u>\$ 28,354</u>                  | <u>\$ 4,549</u>                    | <u>\$ -</u>                       | <u>\$ 1,665,934</u> |



## December 31, 2020

|                               | Not Past Due      | Past Due<br>1 to 60 Days | Past Due<br>61 to 90 Days | Past Due<br>91 to 120 Days | Past Due<br>Over 120 Days | Total               |
|-------------------------------|-------------------|--------------------------|---------------------------|----------------------------|---------------------------|---------------------|
| Expected credit loss rate (%) | 0-0.1             | 1                        | 10                        | 50                         | 100                       | -                   |
| Gross carrying amount         | \$ 881,865        | \$ 138,234               | \$ 4,488                  | \$ 51                      | \$ 16                     | \$ 1,024,654        |
| Loss allowance (Lifetime ECL) | <u>(907)</u>      | <u>(1,382)</u>           | <u>(449)</u>              | <u>(26)</u>                | <u>(16)</u>               | <u>(2,780)</u>      |
| Amortized cost                | <u>\$ 880,958</u> | <u>\$ 136,852</u>        | <u>\$ 4,039</u>           | <u>\$ 25</u>               | <u>\$ -</u>               | <u>\$ 1,021,874</u> |

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

|                              | Accounts<br>Receivable | Overdue<br>Receivables | Total            |
|------------------------------|------------------------|------------------------|------------------|
| Balance at January 1, 2021   | \$ 2,780               | \$ 1,213               | \$ 3,993         |
| Impairment losses reversed   | <u>14,970</u>          | <u>-</u>               | <u>14,970</u>    |
| Balance at December 31, 2021 | <u>\$ 17,750</u>       | <u>\$ 1,213</u>        | <u>\$ 18,963</u> |
| Balance at January 1, 2020   | \$ 4,562               | \$ 1,213               | \$ 5,775         |
| Impairment losses reversed   | <u>(1,782)</u>         | <u>-</u>               | <u>(1,782)</u>   |
| Balance at December 31, 2020 | <u>\$ 2,780</u>        | <u>\$ 1,213</u>        | <u>\$ 3,993</u>  |

## 9. INVENTORIES

|                 | <b>December 31</b> |                   |
|-----------------|--------------------|-------------------|
|                 | <b>2021</b>        | <b>2020</b>       |
| Finished goods  | \$ 303,470         | \$ 158,698        |
| Work-in-process | 190,078            | 109,286           |
| Raw materials   | 413,263            | 185,003           |
| Supplies        | 18,808             | 11,088            |
| Merchandise     | <u>-</u>           | <u>14</u>         |
|                 | <u>\$ 925,619</u>  | <u>\$ 464,089</u> |

The cost of inventories recognized as costs of goods sold was \$2,987,157 thousand and \$2,286,593 thousand for the years ended December 31, 2021 and 2020, respectively, which included the following items:

|                            | <b>For the Year Ended December 31</b> |                    |
|----------------------------|---------------------------------------|--------------------|
|                            | <b>2021</b>                           | <b>2020</b>        |
| Write-downs (reverses)     | \$ 3,240                              | \$ (1,105)         |
| Income from sale of scraps | <u>(70,235)</u>                       | <u>(35,621)</u>    |
|                            | <u>\$ (66,995)</u>                    | <u>\$ (36,726)</u> |

## 10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

| Name of Investor                        | Name of Investee                           | Main Businesses and Products   | Percentage of Ownership |                   |
|---|--|--|-------------------------|-------------------|
|   |  |  | December 31, 2021       | December 31, 2020 |
| The Company                             | King Slide Technology Co., Ltd.            | Manufacture and sales of mechanical rail kit products which integrated in servers and network-related equipment.   | 100                     | 100               |
|   | King Slide (Samoa) Co., Ltd.               | International investment   | 100                     | 100               |
|   | King Slide USA Co., Ltd.                   | Trade of rail kits, slides and accessories   | 100                     | 100               |
| King Slide (Samoa) Co., Ltd.            | King Slide (Hong Kong) Co., Ltd.           | International investment   | 100                     | 100               |
| King Slide (Hong Kong) Co., Ltd.        | King Slide Technology (China) Co., Ltd.    | Wholesale and provide related services for rail kits, slides and accessories   | 100                     | 100               |
| King Slide Technology (China) Co., Ltd. | King Slide Technology (Shenzhen) Co., Ltd. | Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies. | 100                     | 100               |

## 11. PROPERTY, PLANT AND EQUIPMENT

a. Movements of cost and accumulated depreciation are as follows:

### For the year ended December 31, 2021

|   | Land              | Buildings           | Machinery and Equipment | Transportation Equipment | Office Equipment   | Others              | Property under Construction | Total                 |
|---|-------------------|---------------------|-------------------------|--------------------------|--------------------|---------------------|-----------------------------|-----------------------|
| <b>Cost</b>                                     |                   |                     |                         |                          |                    |                     |                             |                       |
| Balance at January 1, 2021                      | \$ 228,372        | \$ 1,074,519        | \$ 1,625,479            | \$ 10,696                | \$ 91,942          | \$ 311,201          | \$ 543,470                  | \$ 3,885,679          |
| Additions                                       | -                 | 5,233               | 133,811                 | 1,975                    | 11,551             | 33,659              | 545,884                     | 732,113               |
| Disposals                                       | -                 | -                   | (28,696)                | (1,984)                  | (571)              | (1,164)             | -                           | (32,415)              |
| Effect of foreign currency exchange differences | (41)              | 364                 | -                       | (4)                      | 52                 | (21)                | -                           | 350                   |
| Balance at December 31, 2021                    | <u>\$ 228,331</u> | <u>\$ 1,080,116</u> | <u>\$ 1,730,594</u>     | <u>\$ 10,683</u>         | <u>\$ 102,974</u>  | <u>\$ 343,675</u>   | <u>\$ 1,089,354</u>         | <u>\$ 4,585,722</u>   |
| <b>Accumulated depreciation</b>                 |                   |                     |                         |                          |                    |                     |                             |                       |
| Balance at January 1, 2021                      | \$ -              | \$ (390,781)        | \$ (1,271,642)          | \$ (6,226)               | \$ (80,382)        | \$ (241,987)        | \$ -                        | \$ (1,991,018)        |
| Depreciation expense                            | -                 | (29,293)            | (119,193)               | (1,293)                  | (5,290)            | (25,886)            | -                           | (180,955)             |
| Disposals                                       | -                 | -                   | 28,456                  | 1,786                    | 571                | 1,164               | -                           | 31,977                |
| Effect of foreign currency exchange differences | -                 | 10                  | -                       | 5                        | (46)               | 22                  | -                           | (9)                   |
| Balance at December 31, 2021                    | <u>\$ -</u>       | <u>\$ (420,064)</u> | <u>\$ (1,362,379)</u>   | <u>\$ (5,728)</u>        | <u>\$ (85,147)</u> | <u>\$ (266,687)</u> | <u>\$ -</u>                 | <u>\$ (2,140,005)</u> |
| Carrying amounts at December 31, 2021           | <u>\$ 228,331</u> | <u>\$ 660,052</u>   | <u>\$ 368,215</u>       | <u>\$ 4,955</u>          | <u>\$ 17,827</u>   | <u>\$ 76,988</u>    | <u>\$ 1,089,354</u>         | <u>\$ 2,445,722</u>   |

### For the year ended December 31, 2020

|   | Land              | Buildings           | Machinery and Equipment | Transportation Equipment | Office Equipment | Others            | Property under Construction | Total               |
|---|-------------------|---------------------|-------------------------|--------------------------|------------------|-------------------|-----------------------------|---------------------|
| <b>Cost</b>                                     |                   |                     |                         |                          |                  |                   |                             |                     |
| Balance at January 1, 2020                      | \$ 228,473        | \$ 1,069,749        | \$ 1,533,888            | \$ 10,732                | \$ 87,837        | \$ 296,514        | \$ 1,210                    | \$ 3,228,403        |
| Additions                                       | -                 | 5,406               | 107,530                 | -                        | 5,697            | 26,775            | 542,260                     | 687,668             |
| Disposals                                       | -                 | -                   | (15,939)                | -                        | (1,609)          | (12,034)          | -                           | (29,582)            |
| Effect of foreign currency exchange differences | (101)             | (636)               | -                       | (36)                     | 17               | (54)              | -                           | (810)               |
| Balance at December 31, 2020                    | <u>\$ 228,372</u> | <u>\$ 1,074,519</u> | <u>\$ 1,625,479</u>     | <u>\$ 10,696</u>         | <u>\$ 91,942</u> | <u>\$ 311,201</u> | <u>\$ 543,470</u>           | <u>\$ 3,885,679</u> |
| Carrying amounts at December 31, 2020           | <u>\$ 228,372</u> | <u>\$ 1,074,519</u> | <u>\$ 1,625,479</u>     | <u>\$ 10,696</u>         | <u>\$ 91,942</u> | <u>\$ 311,201</u> | <u>\$ 543,470</u>           | <u>\$ 3,885,679</u> |

|   |                   |                      |                        |                    |                     |                      |                   |                        |
|---|-------------------|----------------------|------------------------|--------------------|---------------------|----------------------|-------------------|------------------------|
| Balance at December 31, 2020                    | <u>\$ 228,372</u> | <u>\$ 1,074,519</u>  | <u>\$ 1,625,479</u>    | <u>\$ 10,696</u>   | <u>\$ 91,942</u>    | <u>\$ 311,201</u>    | <u>\$ 543,470</u> | <u>\$ 3,885,679</u>    |
| Accumulated depreciation                        |                   |                      |                        |                    |                     |                      |                   |                        |
| Balance at January 1, 2020                      | \$ -              | \$ (362,301 )        | \$ (1,182,881 )        | \$ (5,044 )        | \$ (77,537 )        | \$ (231,740 )        | \$ -              | \$ (1,859,503 )        |
| Depreciation expense                            | -                 | (28,767 )            | (104,584 )             | (1,218 )           | (4,440 )            | (22,334 )            | -                 | (161,343 )             |
| Disposals                                       | -                 | -                    | 15,823                 | -                  | 1,609               | 12,033               | -                 | 29,465                 |
| Effect of foreign currency exchange differences | -                 | 287                  | -                      | 36                 | (14 )               | 54                   | -                 | 363                    |
| Balance at December 31, 2020                    | <u>\$ -</u>       | <u>\$ (390,781 )</u> | <u>\$ (1,271,642 )</u> | <u>\$ (6,226 )</u> | <u>\$ (80,382 )</u> | <u>\$ (241,987 )</u> | <u>\$ -</u>       | <u>\$ (1,991,018 )</u> |
| Carrying amounts at December 31, 2020           | <u>\$ 228,372</u> | <u>\$ 683,738</u>    | <u>\$ 353,837</u>      | <u>\$ 4,470</u>    | <u>\$ 11,560</u>    | <u>\$ 69,214</u>     | <u>\$ 543,470</u> | <u>\$ 1,894,661</u>    |

b. Estimated useful lives

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

|                          |             |
|--------------------------|-------------|
| Buildings                |             |
| Plant                    | 30-35 years |
| Office                   | 50 years    |
| Others                   | 5-35 years  |
| Machinery and equipment  |             |
| Molding                  | 8 years     |
| Electroplating           | 8 years     |
| Others                   | 2-11 years  |
| Transportation equipment | 5 years     |
| Office equipment         | 2-15 years  |
| Others                   |             |
| Crane                    | 10 years    |
| ASRS                     | 10 years    |
| Others                   | 2-20 years  |

c. Investing activities affecting both cash and non-cash items

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2021</b>                           | <b>2020</b>       |
| Acquisition of property, plant and equipment            | \$ 732,113                            | \$ 687,668        |
| Increase (decrease) in prepayments for equipment        | 29,621                                | (134,538)         |
| Decrease (increase) in payables for purchased equipment | 15,464                                | (179,909)         |
| Depreciation and interest capitalized                   | <u>(9,524)</u>                        | <u>(4,333)</u>    |
| Cash paid   | <u>\$ 767,674</u>                     | <u>\$ 368,888</u> |

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

|  | <b>December 31</b>                    |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Carrying amount - land                             | <u>\$ 624,881</u>                     | <u>\$ 662,028</u> |
|  | <b>For the Year Ended December 31</b> |                   |
|  | <b>2021</b>                           | <b>2020</b>       |
| Depreciation charge for right-of-use assets - land | <u>\$ 37,147</u>                      | <u>\$ 37,146</u>  |

Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease or impairment of the right-of-use assets of the Group in 2021 and 2020.

### b. Lease liabilities

|                 | <b>December 31</b> |                   |
|-----------------|--------------------|-------------------|
|                 | <b>2021</b>        | <b>2020</b>       |
| Carrying amount |                    |                   |
| Current         | <u>\$ 33,298</u>   | <u>\$ 32,766</u>  |
| Noncurrent      | <u>\$ 606,048</u>  | <u>\$ 639,346</u> |

Range of discount rate for lease liabilities was as follows:

|          | <b>December 31</b> |             |
|----------|--------------------|-------------|
|          | <b>2021</b>        | <b>2020</b> |
| Land (%) | 1.55-1.71          | 1.55-1.71   |

### c. Material leasing activities and terms

Operating leases between King Slide Technology Co., Ltd. and the government are related to land with lease terms of 20 years, which will expire in May 2027 and January 2033. When the value of land is re-assessed by the government according to the law, the rent shall be adjusted. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

### d. Other lease information

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2021</b>                           | <b>2020</b>      |
| Expenses relating to short-term leases | <u>\$ 2,291</u>                       | <u>\$ 674</u>    |
| Total cash outflow for leases          | <u>\$ 45,872</u>                      | <u>\$ 44,256</u> |

**13. LONG-TERM BORROWINGS - ONLY AS OF DECEMBER 31, 2020**

|                         | <b>December 31</b> |                   |
|-------------------------|--------------------|-------------------|
|                         | <b>2021</b>        | <b>2020</b>       |
| Unsecured borrowings    | \$ 460,900         | \$ 204,000        |
| Less: Government grants | <u>8,543</u>       | <u>4,504</u>      |
|                         | <u>\$ 452,357</u>  | <u>\$ 199,496</u> |

The above-mentioned long-term loan is a special loan for the purchase of equipment and construction of factories. It will be repaid on a monthly basis from October 2023 to September 2030 at an annual interest rate of 0.25%. However, the interest rate is lower than the market interest rate due to the government grants, and the Group recognized the difference as deferred revenue which will be transferred to profit or loss over the useful lives of the related assets.

**14. NOTES PAYABLE AND ACCOUNTS PAYABLE**

|                              | <b>December 31</b> |                   |
|------------------------------|--------------------|-------------------|
|                              | <b>2021</b>        | <b>2020</b>       |
| <hr/> Notes payable <hr/>    |                    |                   |
| Operating                    | \$ 346,056         | \$ 239,004        |
| Non-operating                | <u>97,927</u>      | <u>100,527</u>    |
|                              | <u>\$ 443,983</u>  | <u>\$ 339,531</u> |
| <hr/> Accounts payable <hr/> |                    |                   |
| Operating                    | <u>\$ 122,577</u>  | <u>\$ 92,619</u>  |

Notes payable

The Group's notes payable from non-operating activities were used for acquisition of property, plant and equipment.

Accounts payable

The average credit period of purchasing materials and supplies was 30-90 days. The Group has a financial risk management policy to ensure that all payables are paid within the pre-agreed credit terms.

**15. OTHER PAYABLES**

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2021</b>        | <b>2020</b>       |
| Payable for compensation of employees and compensation of directors and supervisors | \$ 248,896         | \$ 203,031        |
| Payable for salaries and bonuses  | 217,948            | 167,731           |
| Payable for purchase of equipment   | 89,516             | 102,380           |
| Others  | <u>100,592</u>     | <u>81,748</u>     |
|   | <u>\$ 656,952</u>  | <u>\$ 554,890</u> |

## 16. REFUND LIABILITY

The refund liability was estimated based on historical experience, management's judgments and other known reasons and was recognized as a reduction of operating revenue in the year the related goods were sold. As of December 31, 2021 and 2020, the Group's estimated refund liabilities were \$20,718 thousand and \$16,444 thousand, respectively.

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2.4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2021</b>        | <b>2020</b>      |
| Present value of defined benefit obligation | \$ 95,630          | \$ 86,349        |
| Fair value of plan assets                   | <u>(56,026)</u>    | <u>(50,821)</u>  |
| Deficit                                     | 39,604             | 35,528           |
| Included in other payables                  | <u>(5,732)</u>     | <u>(3,576)</u>   |
| Net defined benefit liabilities             | <u>\$ 33,872</u>   | <u>\$ 31,952</u> |

Movements in net defined benefit liabilities were as follows:

|                               | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|-------------------------------|--|--|--|
| Balance at January 1, 2020    | <u>\$ 84,980</u>   | <u>\$ (42,979)</u>                       | <u>\$ 42,001</u>                               |
| Service cost                  |  |  |  |
| Current service cost          | 293  | -  | 293  |
| Net interest expense (income) | <u>637</u>   | <u>(349)</u>                             | <u>288</u>                                     |

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| Recognized in profit or loss  | <u>930</u>   | <u>(349)</u>                             | <u>581</u>                                     |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (1,384)                                  | (1,384)  |
| Actuarial loss - changes in demographic<br>assumptions                | 426  | -  | 426  |
| Actuarial loss - changes in financial<br>assumptions                  | 2,179  | -  | 2,179  |
| Actuarial gain - experience adjustments                               | <u>(1,022)</u>   | <u>-</u>                                 | <u>(1,022)</u>                                 |
| Recognized in other comprehensive income                              | <u>1,583</u>   | <u>(1,384)</u>                           | <u>199</u>                                     |
| Contributions from the employer                                       | <u>-</u>   | <u>(7,253)</u>                           | <u>(7,253)</u>                                 |
| Benefits paid   | <u>(1,144)</u>   | <u>1,144</u>                             | <u>-</u>                                       |
| Balance at December 31, 2020  | <u>86,349</u>  | <u>(50,821)</u>                          | <u>35,528</u>                                  |
| Service cost  |  |  |  |
| Current service cost  | 280  | -  | 280  |
| Net interest expense (income)   | <u>432</u>   | <u>(266)</u>                             | <u>166</u>                                     |
| Recognized in profit or loss  | <u>712</u>   | <u>(266)</u>                             | <u>446</u>                                     |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (633)                                    | (633)  |
| Actuarial loss - changes in demographic<br>assumptions                | 2,075  | -  | 2,075  |
| Actuarial loss - changes in financial<br>assumptions                  | -  | -  | -  |
| Actuarial loss - experience adjustments                               | <u>7,274</u>   | <u>-</u>                                 | <u>7,274</u>                                   |
| Contributions from the employer                                       | <u>\$ -</u>  | <u>\$ (5,086)</u>                        | <u>\$ (5,086)</u>                              |
| Benefits paid   | <u>(780)</u>   | <u>780</u>                               | <u>-</u>                                       |
| Balance at December 31, 2021  | <u>\$ 95,630</u>   | <u>\$ (56,026)</u>                       | <u>\$ 39,604</u><br>(Concluded)                |

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

1) Investment risk

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

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit

obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

### 3) Salary risk

The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

|                                      | <b>December 31</b> |             |
|--------------------------------------|--------------------|-------------|
|                                      | <b>2021</b>        | <b>2020</b> |
| Discount rate (%)                    | 0.50               | 0.50        |
| Expected rate of salary increase (%) | 2.00               | 2.00        |

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

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2021</b>        | <b>2020</b> |
| Discount rate                    |                    |             |
| 0.25% increase                   | \$ (2,309)         | \$ (2,182)  |
| 0.25% decrease                   | \$ 2,392           | \$ 2,264    |
| Expected rate of salary increase |                    |             |
| 0.25% increase                   | \$ 2,316           | \$ 2,191    |
| 0.25% decrease                   | \$ (2,247)         | \$ (2,124)  |
|                                  |                    | (Concluded) |

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

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2021</b>        | <b>2020</b> |
| Expected contributions to the plan for the next year | \$ 7,279           | \$ 5,023    |
| Average duration of the defined benefit obligation   | 9.7 years          | 10.2 years  |

## 18. EQUITY

### a. Ordinary shares

|  | <b>December 31</b> |              |
|--|--------------------|--------------|
|  | <b>2021</b>        | <b>2020</b>  |
| Number of shares authorized (in thousands) | 138,000            | 138,000      |
| Shares authorized                          | \$ 1,380,000       | \$ 1,380,000 |



|   |                   |                   |
|---|-------------------|-------------------|
| Number of shares issued and fully paid (in thousands) | <u>95,297</u>     | <u>95,297</u>     |
| Shares issued   | <u>\$ 952,971</u> | <u>\$ 952,971</u> |

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

b. Capital surplus

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2021</b>        | <b>2020</b>       |
| Arising from issuance of ordinary shares | \$ 794,341         | \$ 794,341        |
| Arising from treasury share transactions | <u>2,350</u>       | <u>2,350</u>      |
|  | <u>\$ 796,691</u>  | <u>\$ 796,691</u> |

The above-mentioned capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

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

The Company's dividend policy is in line with the current and future development plans, environment, capital needs and domestic and international competition in order to promote shareholders' interests. Thus, the Company may retain some of its earnings according to the Company's operation, and the residual earnings may be distributed in cash or shares. However, cash dividends should be at least 10% of the total dividends distributed.

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

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meeting on July 30, 2021 and June 30, 2020, respectively. The appropriations of earnings for 2020 and 2019 were as follows:

|                 | <b>Appropriation of Earnings</b> |                | <b>Dividends Per Share (NT\$)</b> |               |
|-----------------|----------------------------------|----------------|-----------------------------------|---------------|
|                 | <b>2020</b>                      | <b>2019</b>    | <b>2020</b>                       | <b>2019</b>   |
| Legal reserve   | \$ 116,443                       | \$ 155,825     |                                   |               |
| Special reserve | 1,549                            | 1,449          |                                   |               |
| Cash dividends  | <u>583,218</u>                   | <u>762,377</u> | <u>\$ 6.1</u>                     | <u>\$ 8.0</u> |

\$ 701,210      \$ 919,651

The appropriation of earnings for 2021 had been proposed by the Company's board of directors on February 25, 2022. The appropriation and dividends per share were as follows:

|                 | <u>Appropriation<br/>of Earnings</u> | <u>Dividends Per<br/>Share (NT\$)</u> |
|-----------------|--------------------------------------|---------------------------------------|
| Legal reserve   | \$ 206,555                           |                                       |
| Special reserve | 83                                   |                                       |
| Cash dividends  | <u>1,036,832</u>                     | <u>\$10.88</u>                        |
|                 | <u>\$1,243,470</u>                   |                                       |

The appropriation of earnings for 2021 are subject to the resolution in the shareholders' meeting to be held on June 29, 2022.

d. Special reserve

On the first-time adoption of IFRSs, the Company appropriated \$ 6,221 thousand to the special reserve due to the increase in retained earnings from conversion to IFRSs. Additional special reserve should be appropriated for an amount equal to the difference between net debit balance and special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed

## 19. REVENUE

|                            | <u>For the Year Ended December 31</u> |                     |
|----------------------------|---------------------------------------|---------------------|
|                            | <u>2021</u>                           | <u>2020</u>         |
| Revenue from sale of goods | <u>\$ 6,341,989</u>                   | <u>\$ 4,801,405</u> |

a. Contract balances

|  | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>January 1,<br/>2020</u> |
|--|------------------------------|------------------------------|----------------------------|
| Notes and accounts receivable (Note 8) | <u>\$ 1,732,802</u>          | <u>\$ 1,078,987</u>          | <u>\$ 1,127,461</u>        |

b. Disaggregation of revenue

For the year ended December 31, 2021

|                      | <u>Reportable Segments</u> |  |                  |                     |
|----------------------|----------------------------|--|------------------|---------------------|
|                      | <u>The Company</u>         | <u>King Slide<br/>Technology<br/>Co., Ltd.</u> | <u>Others</u>    | <u>Total</u>        |
| <u>Type of goods</u> |                            |  |                  |                     |
| Rail kits            | \$ 1,726,308               | \$ 4,231,802                                   | \$ 78,752        | \$ 6,036,862        |
| Others               | <u>224,547</u>             | <u>72,958</u>                                  | <u>7,622</u>     | <u>305,127</u>      |
|                      | <u>\$ 1,950,855</u>        | <u>\$ 4,304,760</u>                            | <u>\$ 86,374</u> | <u>\$ 6,341,989</u> |

For the year ended December 31, 2020

|               | Reportable Segments |                                 |                  |                     |
|---------------|---------------------|---------------------------------|------------------|---------------------|
|               | The Company         | King Slide Technology Co., Ltd. | Others           | Total               |
| Type of goods |                     |                                 |                  |                     |
| Rail kits     | \$ 1,298,313        | \$ 3,184,892                    | \$ 47,717        | \$ 4,530,922        |
| Others        | <u>202,240</u>      | <u>60,095</u>                   | <u>8,148</u>     | <u>270,483</u>      |
|               | <u>\$ 1,500,553</u> | <u>\$ 3,244,987</u>             | <u>\$ 55,865</u> | <u>\$ 4,801,405</u> |

## 20. NET PROFIT

### a. Other gains and losses

|                              | For the Year Ended December 31 |                     |
|------------------------------|--------------------------------|---------------------|
|                              | 2021                           | 2020                |
| Foreign exchange losses, net | \$ (178,697)                   | \$ (516,012)        |
| Sample income                | 18,381                         | 20,549              |
| Mold income                  | 18,467                         | 8,506               |
| Others                       | <u>7,676</u>                   | <u>5,782</u>        |
|                              | <u>\$ (134,173)</u>            | <u>\$ (481,175)</u> |

### b. Gains or losses on foreign currency exchange

|                              | For the Year Ended December 31 |                     |
|------------------------------|--------------------------------|---------------------|
|                              | 2021                           | 2020                |
| Foreign exchange gains       | \$ 352,644                     | \$ 184,936          |
| Foreign exchange losses      | <u>(531,341)</u>               | <u>(700,948)</u>    |
| Foreign exchange losses, net | <u>\$ (178,697)</u>            | <u>\$ (516,012)</u> |

### c. Finance cost

|   | For the Year Ended December 31 |                  |
|---|--------------------------------|------------------|
|   | 2021                           | 2020             |
| Interest on lease liabilities                           | \$ 10,815                      | \$ 11,338        |
| Interest on loans                                       | 2,818                          | 287              |
| Less: Amounts included in the cost of qualifying assets | <u>3,840</u>                   | <u>258</u>       |
|   | <u>\$ 9,793</u>                | <u>\$ 11,367</u> |
| Capitalized interest rate (%)                           | 0.75-1.55                      | 0.75             |

### d. Depreciation and amortization

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2021</b>                           | <b>2020</b>       |
| Property, plant and equipment                         | \$ 180,955                            | \$ 161,343        |
| Right-of-use-assets                                   | 37,147                                | 37,146            |
| Intangible assets                                     | 1,995                                 | 1,590             |
| Less: Directly attributable to asset acquisition cost | <u>5,684</u>                          | <u>4,075</u>      |
|   | <u>\$ 214,413</u>                     | <u>\$ 196,004</u> |
| Analysis of depreciation by function                  |                                       |                   |
| Operating costs                                       | \$ 170,463                            | \$ 152,190        |
| Operating expenses                                    | <u>41,955</u>                         | <u>42,224</u>     |
|   | <u>\$ 212,418</u>                     | <u>\$ 194,414</u> |
| Analysis of amortization by function                  |                                       |                   |
| Operating costs                                       | \$ 83                                 | \$ 44             |
| Operating expenses                                    | <u>1,912</u>                          | <u>1,546</u>      |
|   | <u>\$ 1,995</u>                       | <u>\$ 1,590</u>   |
|   |                                       | (Concluded)       |

e. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Post-employment benefits (Note 17)                   |                                       |                   |
| Defined contribution plans                           | \$ 26,355                             | \$ 22,468         |
| Defined benefit plans                                | <u>446</u>                            | <u>581</u>        |
|  | 26,801                                | 23,049            |
| Short-term employee benefits                         | <u>1,049,048</u>                      | <u>790,057</u>    |
|  | <u>\$1,075,849</u>                    | <u>\$ 813,106</u> |
| An analysis of employee benefits expense by function |                                       |                   |
| Operating costs                                      | \$ 762,122                            | \$ 554,040        |
| Operating expenses                                   | <u>313,727</u>                        | <u>259,066</u>    |
|  | <u>\$1,075,849</u>                    | <u>\$ 813,106</u> |

f. Compensation of employees and compensation of directors and supervisors

The Company accrued compensation of employees and compensation of directors and supervisors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and compensation of directors and supervisors. The compensation of employees and compensation of directors and supervisors for the years ended December 31, 2021 and 2020, which have been approved by the Company's board of directors on February 25, 2022 and February 26, 2021, respectively, were as follows:

| <b>For the Year Ended December 31</b> |          |             |          |
|---------------------------------------|----------|-------------|----------|
| <b>2021</b>                           |          | <b>2020</b> |          |
| <b>Cash</b>                           | <b>%</b> | <b>Cash</b> | <b>%</b> |

|   |           |     |           |     |
|---|-----------|-----|-----------|-----|
| Compensation of employees                 | \$ 85,849 | 3.8 | \$ 47,489 | 3.6 |
| Compensation of directors and supervisors | 6,500     | 0.3 | 6,500     | 0.5 |

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

There is no difference between the actual amounts of compensation of employees and compensation of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and compensation of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAX

- a. The major components of income tax expense recognized in profit or loss are as follows:

|                                       | <b>For the Year Ended December 31</b> |                   |
|---------------------------------------|---------------------------------------|-------------------|
|                                       | <b>2021</b>                           | <b>2020</b>       |
| Current tax                           |                                       |                   |
| In respect of the current year        | \$ 520,261                            | \$ 378,901        |
| Income tax on unappropriated earnings | 22,730                                | 71,768            |
| Adjustments for prior years           | <u>(16,214)</u>                       | <u>(3,248)</u>    |
|                                       | <u>526,777</u>                        | <u>447,421</u>    |
| Deferred tax                          |                                       |                   |
| In respect of the current year        | (3,515)                               | (71,729)          |
| Adjustments for prior years           | <u>-</u>                              | <u>1,864</u>      |
|                                       | <u>(3,515)</u>                        | <u>(69,865)</u>   |
|                                       | <u>\$ 523,262</u>                     | <u>\$ 377,556</u> |

A reconciliation of accounting profit and income tax expense is as follows:

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2021</b>                           | <b>2020</b>         |
| Profit before income tax                                  | <u>\$ 2,595,782</u>                   | <u>\$ 1,542,145</u> |
| Income tax expense calculated at the statutory rate (20%) | \$ 519,530                            | \$ 308,429          |
| Income tax on unappropriated earnings                     | 22,730                                | 71,768              |
| Investment credits  | (2,784)                               | (1,257)             |
| Adjustments for prior years                               | <u>(16,214)</u>                       | <u>(1,384)</u>      |
|   | <u>\$ 523,262</u>                     | <u>\$ 377,556</u>   |

b. Income tax benefit recognized in other comprehensive income

|  | <b>For the Year Ended December 31</b> |               |
|--|---------------------------------------|---------------|
|  | <b>2021</b>                           | <b>2020</b>   |
| <hr/>                                  |                                       |               |
| Deferred tax                           |                                       |               |
| In respect of the current year         |                                       |               |
| Remeasurement of defined benefit plans | \$ 1,743                              | \$ 40         |
| Translation of foreign operations      | <u>21</u>                             | <u>388</u>    |
|  | <u>\$ 1,764</u>                       | <u>\$ 428</u> |

c. Current tax liabilities

|                         | <b>December 31</b> |                   |
|-------------------------|--------------------|-------------------|
|                         | <b>2021</b>        | <b>2020</b>       |
| <hr/>                   |                    |                   |
| Current tax liabilities |                    |                   |
| Income tax payable      | <u>\$ 385,127</u>  | <u>\$ 277,986</u> |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities are as follows:

For the year ended December 31, 2021

|  | <b>Balance,<br/>Beginning of<br/>Year</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Recognized in<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Balance, End<br/>of Year</b> |
|--|---|---|---|---------------------------------|
| <hr/>                                  |   |   |   |                                 |
| Deferred Tax Assets                    |   |   |   |                                 |
| Temporary differences                  |   |   |   |                                 |
| Share of profit using equity<br>method | \$ 12,234                                 | \$ (2,369)                              | \$ 21   | \$ 9,886                        |
| Unrealized exchange losses             | 107,839                                   | 2,784                                   | -   | 110,623                         |
| Defined benefit liabilities            | 7,106                                     | (928)                                   | 1,743   | 7,921                           |
| Others                                 | <u>11,533</u>                             | <u>4,028</u>                            | <u>-</u>  | <u>15,561</u>                   |
|  | <u>\$138,712</u>                          | <u>\$ 3,515</u>                         | <u>\$ 1,764</u>   | <u>\$143,991</u>                |
| <hr/>                                  |   |   |   |                                 |
| Deferred Tax liabilities               |   |   |   |                                 |
| Temporary differences                  |   |   |   |                                 |
| Land value increment tax               | <u>\$ 47,090</u>                          | <u>\$ -</u>                             | <u>\$ -</u>   | <u>\$ 47,090</u>                |

For the year ended December 31, 2020

|                       | <b>Balance,<br/>Beginning of<br/>Year</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Recognized in<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Balance, End<br/>of Year</b> |
|-----------------------|---|---|---|---------------------------------|
| <hr/>                 |   |   |   |                                 |
| Deferred Tax Assets   |   |   |   |                                 |
| Temporary differences |   |   |   |                                 |

|  |                  |                   |                 |                  |
|--|------------------|-------------------|-----------------|------------------|
| Temporary differences  |                  |                   |                 |                  |
| Share of profit using equity method  | \$ 10,389        | \$ (460)          | \$ 2,305        | \$ 12,234        |
| Unrealized exchange losses   | 34,550           | 73,289            | -               | 107,839          |
| Defined benefit liabilities  | 11,697           | (4,631)           | 40              | 7,106            |
| Others   | <u>13,124</u>    | <u>(1,591)</u>    | <u>-</u>        | <u>11,533</u>    |
| <hr/>  |                  |                   |                 |                  |
| Deferred Tax liabilities   |                  |                   |                 |                  |
| Temporary differences  |                  |                   |                 |                  |
| Land value increment tax   | \$ 47,090        | \$ -              | \$ -            | \$ 47,090        |
| Defined benefit liabilities  | 3,261            | (3,261)           | -               | -                |
| Exchange differences on translating the financial statements of foreign operations | <u>(1,920)</u>   | <u>3</u>          | <u>1,917</u>    | <u>-</u>         |
|  | <u>\$ 48,431</u> | <u>\$ (3,258)</u> | <u>\$ 1,917</u> | <u>\$ 47,090</u> |
|  |                  |                   |                 | (Concluded)      |

e. Income tax assessments

The income tax returns of the Company and King Slide Technology Co., Ltd. through 2019 and 2018 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

Net profit for the year - attributable to owners of the Company

|  | <u>For the Year Ended December 31</u> |                     |
|--|---------------------------------------|---------------------|
|  | <u>2021</u>                           | <u>2020</u>         |
| Net profit used in the computation of earnings per share         | \$ 2,072,520                          | \$ 1,164,589        |
| Effect of potentially dilutive ordinary shares                   |                                       |                     |
| Compensation of employees  | <u>(15,063)</u>                       | <u>(5,513)</u>      |
| Net profit used in the computation of diluted earnings per share | <u>\$ 2,057,457</u>                   | <u>\$ 1,159,076</u> |

Weighted average number of ordinary shares outstanding (in thousands)

|  | <u>For the Year Ended December 31</u> |               |
|--|---------------------------------------|---------------|
|  | <u>2021</u>                           | <u>2020</u>   |
| Weighted average number of ordinary shares used in the computation of basic earnings per share   | 95,297                                | 95,297        |
| Effect of diluted potential ordinary shares  |                                       |               |
| Employees' compensation  | <u>189</u>                            | <u>187</u>    |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>95,486</u>                         | <u>95,484</u> |

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

## 23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the last 2 years.

The Group is not subject to any externally imposed capital requirements.

## 24. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The Group's management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

### b. Categories of financial instruments

|                                     | <u>December 31</u> |               |
|-------------------------------------|--------------------|---------------|
|                                     | <u>2021</u>        | <u>2020</u>   |
| <u>Financial assets</u>             |                    |               |
| Measured at amortized cost (Note 1) | \$ 11,196,823      | \$ 10,160,003 |
| <u>Financial liabilities</u>        |                    |               |
| Measured at amortized cost (Note 2) | 1,675,907          | 1,186,574     |

Note 1: The balances include cash and cash equivalents, notes receivable, accounts receivable, other receivables, and refundable deposits.

Note 2: The balances include notes payable, accounts payable, other payables, guarantee deposits received (included in other current liabilities) and long-term borrowings.



c. Financial risk management objectives and policies

The Group's treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through analyzing exposures to risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The treasury function reports quarterly to the Group's management.

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposed to foreign currency risk at the end of the year are set out in Note 27.

Sensitivity analysis

The Group was mainly exposed to the risk from the fluctuation of USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency rate against USD. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

|                   | <b>For the Year Ended December 31</b> |             |
|-------------------|---------------------------------------|-------------|
|                   | <b>2021</b>                           | <b>2020</b> |
| Profit before tax | \$ 94,840                             | \$ 84,178   |

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Items of sensitivity analysis included outstanding deposits, receivables and payables.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting year are as follows:

|                               | <b>December 31</b> |              |
|-------------------------------|--------------------|--------------|
|                               | <b>2021</b>        | <b>2020</b>  |
| Fair value interest rate risk |                    |              |
| Financial assets              | \$ 8,232,828       | \$ 7,766,538 |
| Financial liabilities         | 1,091,703          | 871,608      |

Cash flow interest rate risk

|                  |           |           |
|------------------|-----------|-----------|
| Financial assets | 1,184,246 | 1,282,126 |
|------------------|-----------|-----------|

#### Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year. A 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have been higher/lower by \$11,842 thousand and by \$12,821 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits.

#### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group could be the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group is continuously monitoring and spreading the aggregate transactions to each credit-qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

#### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings.

Because the Group's current assets or cash and cash equivalents are much more than current liabilities, the Group has no liquidity risk.

## 25. TRANSACTIONS WITH RELATED PARTIES

#### Compensation of key management personnel

|                          | <b>For the Year Ended December 31</b> |                         |
|--------------------------|---------------------------------------|-------------------------|
|                          | <b>2021</b>                           | <b>2020</b>             |
| Short-term benefits      | \$ 22,489                             | \$ 17,796               |
| Post-employment benefits | <u>124</u>                            | <u>135</u>              |
|                          | <u><u>\$ 22,613</u></u>               | <u><u>\$ 17,931</u></u> |

The compensation of directors and other key management personnel is determined by the Remuneration committee having regard to the performance of individuals and market trends.

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 12, unrecognized commitments were as follows:

|  | December 31 |             |
|--|-------------|-------------|
|  | 2021        | 2020        |
| a. Unused letters of credit for purchases of raw materials and machinery and equipment | \$ 124,568  | \$ 198,287  |
| b. Unrecognized commitments of acquisition of property, plant and equipment            | 647,604     | 681,681     |
| c. Contracts for purchases of raw materials  |             |             |
| Total amount   | \$ 97,597   | \$ 180,639  |
| Issued promissory notes  | 31,150      | 29,550      |
|  |             | (Concluded) |

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

|                               | Foreign<br>Currencies<br>(In thousands) | Exchange Rate<br>(NT\$) |           | Carrying<br>Amount |
|-------------------------------|---|-------------------------|-----------|--------------------|
| <hr/> December 31, 2021 <hr/> |   |                         |           |                    |
| Financial assets              |   |                         |           |                    |
| Monetary items                |   |                         |           |                    |
| USD                           | \$ 343,986                              | 27.678                  | (USD:NTD) | \$ 9,520,839       |
| Financial liabilities         |   |                         |           |                    |
| Monetary items                |   |                         |           |                    |
| USD                           | 1,332                                   | 27.678                  | (USD:NTD) | 36,860             |
| <hr/> December 31, 2020 <hr/> |   |                         |           |                    |
| Financial assets              |   |                         |           |                    |
| Monetary items                |   |                         |           |                    |
| USD                           | 297,225                                 | 28.372                  | (USD:NTD) | 8,432,858          |
| Financial liabilities         |   |                         |           |                    |
| Monetary items                |   |                         |           |                    |
| USD                           | 531                                     | 28.372                  | (USD:NTD) | 15,066             |

The Group is mainly exposed to US dollar. Net foreign exchange losses were \$178,697 thousand and \$516,012 thousand for the years ended December 31, 2021 and 2020, respectively.

## 28. ADDITIONAL DISCLOSURES

- Information about significant transactions and investees

- 1) Financing provided to others: None.
  - 2) Endorsement and guarantees provided: None.
  - 3) Marketable securities held (excluding investment in subsidiaries): None.
  - 4) Marketable securities acquired or disposed at cost of or prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: Table 1.
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2.
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
  - 9) Trading in derivative instruments: None.
  - 10) Inter-company business relationship and material transactions and its amount: Table 4.
- b. Information on investees: Table 5.
- c. Information on investments in mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China: Table 6.

Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year:

| <b>Name</b>                              | <b>Purchases</b> | <b>Accounts Payables</b> |
|--|------------------|--------------------------|
| King Slide Technology (China). Co., Ltd. | <u>\$ 60,348</u> | <u>\$ 6,796</u>          |

- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year:

| <b>Name</b>                              | <b>Sales of Goods</b> | <b>Accounts Receivable</b> |
|--|-----------------------|----------------------------|
| King Slide Technology (China). Co., Ltd. | <u>\$ 60,730</u>      | <u>\$ 21,347</u>           |

- 3) The amount of property transactions and the amount of gains or losses generated: None.

- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and purposes: None.
  - 5) The highest balance, the ending balance, the interest rate range, and total current year interest with respect to financing of funds: None.
  - 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7.

## 29. SEGMENT INFORMATION

Information is provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance, focusing on types of goods or services that are delivered or provided.

The Group's reporting segments are as follows:

- a. King Slide Works Co., Ltd. mainly manufactures, processes and sells the rail kits for computer and network communication equipment, furniture accessories, slides and molds.
- b. King Slide Technology Co., Ltd. mainly R&D, designs and sells the rail kits for servers and network communication equipment.

The following is an analysis of the Group's revenue and results from operations by the reporting segments:

|   | The Company         | King Slide<br>Technology<br>Co., Ltd. | Others            | Adjustment<br>and<br>Elimination | Consolidated<br>Amount |
|---|---------------------|---------------------------------------|-------------------|----------------------------------|------------------------|
| <u>For the year ended December 31, 2021</u> |                     |                                       |                   |                                  |                        |
| Revenue from external customers             | \$ 1,950,855        | \$ 4,304,760                          | \$ 86,374         | \$ -                             | \$ 6,341,989           |
| Inter-segment revenue                       | <u>524,810</u>      | <u>174,128</u>                        | <u>60,348</u>     | <u>(759,286)</u>                 | <u>-</u>               |
| Segment revenue                             | <u>\$ 2,475,665</u> | <u>\$ 4,478,888</u>                   | <u>\$ 146,722</u> | <u>\$ (759,286)</u>              | <u>\$ 6,341,989</u>    |
| Segment profit (loss)                       | <u>\$ 448,133</u>   | <u>\$ 2,256,677</u>                   | <u>\$ 7,140</u>   | <u>\$ 7,732</u>                  | \$ 2,719,682           |
| Interest income                             |                     |                                       |                   |                                  | 20,066                 |
| Other gains and losses                      |                     |                                       |                   |                                  | (134,173)              |
| Financial cost                              |                     |                                       |                   |                                  | <u>(9,793)</u>         |
| Consolidated profit before income tax       |                     |                                       |                   |                                  | 2,595,782              |
| Income tax expense                          |                     |                                       |                   |                                  | <u>523,262</u>         |
| Consolidated net profit                     |                     |                                       |                   |                                  | <u>\$ 2,072,520</u>    |
| <u>December 31, 2021</u>                    |                     |                                       |                   |                                  |                        |
| Total segment assets                        | <u>\$ 4,332,894</u> | <u>\$ 11,190,174</u>                  | <u>\$ 202,543</u> | <u>\$ (292,743)</u>              | <u>\$ 15,432,868</u>   |
| Total segment liabilities                   | <u>\$ 747,608</u>   | <u>\$ 2,339,406</u>                   | <u>\$ 31,832</u>  | <u>\$ (289,265)</u>              | <u>\$ 2,829,581</u>    |
| <u>For the year ended December 31, 2020</u> |                     |                                       |                   |                                  |                        |
| Revenue from external customers             | \$ 1,500,553        | \$ 3,244,987                          | \$ 55,865         | \$ -                             | \$ 4,801,405           |
| Inter-segment revenue                       | <u>334,576</u>      | <u>84,625</u>                         | <u>48,632</u>     | <u>(467,833)</u>                 | <u>-</u>               |
| Segment revenue                             | <u>\$ 1,835,129</u> | <u>\$ 3,329,612</u>                   | <u>\$ 104,497</u> | <u>\$ (467,833)</u>              | <u>\$ 4,801,405</u>    |

|                                       | The Company | King Slide Technology Co., Ltd. | Others     | Adjustment and Elimination | Consolidated Amount |
|---------------------------------------|-------------|---------------------------------|------------|----------------------------|---------------------|
| Segment profit (loss)                 | \$ 376,653  | \$ 1,580,774                    | \$ (3,574) | \$ 7,756                   | \$ 1,961,609        |
| Interest income                       |             |                                 |            |                            | 73,078              |
| Other gains and losses                |             |                                 |            |                            | (481,175)           |
| Financial cost                        |             |                                 |            |                            | (11,367)            |
| Consolidated profit before income tax |             |                                 |            |                            | \$ 1,542,145        |
| Income tax expense                    |             |                                 |            |                            | 377,556             |
| Consolidated net profit               |             |                                 |            |                            | \$ 1,164,589        |

December 31, 2020

|                           |              |              |            |              |               |
|---------------------------|--------------|--------------|------------|--------------|---------------|
| Total segment assets      | \$ 3,589,813 | \$ 9,776,727 | \$ 187,465 | \$ (178,729) | \$ 13,375,276 |
| Total segment liabilities | \$ 614,257   | \$ 1,787,600 | \$ 28,495  | \$ (176,117) | \$ 2,254,235  |

Segment profit represented the profit before tax earned by each segment without profit from operations and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

- Revenue from major products refer to Note 19(b)
- Other segment information - depreciation and amortization

|                                 | For the Year Ended December 31 |                   |
|---------------------------------|--------------------------------|-------------------|
|                                 | 2021                           | 2020              |
| The Company                     | \$ 39,522                      | \$ 36,621         |
| King Slide Technology Co., Ltd. | 171,969                        | 156,677           |
| Others                          | 2,922                          | 2,706             |
|                                 | <u>\$ 214,413</u>              | <u>\$ 196,004</u> |

- Geographical information

The Group's revenue from external customers by location of customers are detailed below:

|        | For the Year Ended December 31 |                     |
|--------|--------------------------------|---------------------|
|        | 2021                           | 2020                |
| Taiwan | \$ 1,435,353                   | \$ 1,328,521        |
| USA    | 1,901,360                      | 1,352,269           |
| China  | 1,357,471                      | 979,137             |
| Others | 1,647,805                      | 1,141,478           |
|        | <u>\$ 6,341,989</u>            | <u>\$ 4,801,405</u> |

The Group's noncurrent assets by location of assets are detailed below:

|        | December 31  |              |
|--------|--------------|--------------|
|        | 2021         | 2020         |
| Taiwan | \$ 3,037,248 | \$ 2,492,649 |
| Others | 98,306       | 99,000       |

\$ 3,135,554      \$ 2,591,649

Noncurrent assets exclude deferred income tax assets and refundable deposits.

d. Information about major customers

The customer from which sales revenue accounted for over 10% of the Group's consolidated operating revenue is shown below:

|         | <b>For the Year Ended December 31</b> |           |                   |           |
|---------|---------------------------------------|-----------|-------------------|-----------|
|         | <b>2021</b>                           |           | <b>2020</b>       |           |
|         | <b>Amount</b>                         | <b>%</b>  | <b>Amount</b>     | <b>%</b>  |
| Group A | <u>\$ 1,089,571</u>                   | <u>17</u> | <u>\$ 824,405</u> | <u>17</u> |

TABLE 1

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer                           | Property                            | Event Date            | Transaction Amount | Payment Status | Counterparty                   | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party |              |                  |        | Pricing Reference                | Purpose of Acquisition | Other Terms |
|---------------------------------|-------------------------------------|-----------------------|--------------------|----------------|--------------------------------|--------------|---|--------------|------------------|--------|----------------------------------|------------------------|-------------|
|                                 |                                     |                       |                    |                |                                |              | Property Owner  | Relationship | Transaction Date | Amount |                                  |                        |             |
| King Slide Technology Co., Ltd. | Phase II Plant Construction Project | 2021.01.01-2021.12.31 | \$ 716,030         | Paid           | Verizon Construction Co., Ltd. | None         | NA  | NA           | NA               | NA     | Tender, price parity and bargain | Operational needs      | None        |
|                                 |                                     |                       |                    |                |                                |              |   |              |                  |        |                                  |                        |             |

Note: A portion of the above asset had been reviewed but still waiting for approval. It was recognized as property under construction.



| <b>Buyer</b> | <b>Related Party</b>            | <b>Relationship</b> | <b>Transaction Detail</b> |               |                   |                               | <b>Abnormal Transaction</b> |                     | <b>Notes/Accounts (Payable) Receivable</b> |                   | <b>Note</b> |
|--------------|---------------------------------|---------------------|---------------------------|---------------|-------------------|-------------------------------|-----------------------------|---------------------|--|-------------------|-------------|
|              |                                 |                     | <b>Purchase/Sale</b>      | <b>Amount</b> | <b>% to Total</b> | <b>Payment Term</b>           | <b>Unit Price</b>           | <b>Payment Term</b> | <b>Ending Balance</b>                      | <b>% to Total</b> |             |
| The Company  | King Slide Technology Co., Ltd. | Subsidiary          | Sales                     | \$ (450,283)  | (18 )             | 90 days after monthly closing | Note 1                      | -                   | \$ (195,409)                               | (30 )             | Note 2      |
| The Company  | King Slide Technology Co., Ltd. | Subsidiary          | Purchases                 | 169,537       | 12                | 90 days after monthly closing | Note 1                      | -                   | 60,343                                     | 24                | Note 2      |

Note 2: It was eliminated on consolidation.

TABLE 3

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

| Company Name | Related Party                   | Relationship | Ending Balance    | Turnover Rate (%) | Overdue |               | Amount Received in Subsequent Year | Allowance for Impairment Loss | Note          |
|--------------|---------------------------------|--------------|-------------------|-------------------|---------|---------------|------------------------------------|-------------------------------|---------------|
|              |                                 |              |                   |                   | Amount  | Actions Taken |                                    |                               |               |
| The Company  | King Slide Technology Co., Ltd. | Subsidiary   | \$ 195,409        | 3.01              | \$ -    | -             | \$ 93,201                          | \$ -                          | Notes 1 and 2 |
|              |                                 |              | <u>3,301</u>      |                   | -       | -             | -                                  | -                             | Notes 1 and 3 |
|              |                                 |              | <u>\$ 198,710</u> |                   |         |               | <u>\$ 93,201</u>                   |                               |               |

Note 1: It was eliminated on consolidation.

Note 2: The computation of turnover rate did not include the non-operating receivables which were not from sales of goods.

Note 3: The ending balance was other receivables.

**TABLE 4**

**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

| No. | Company                                 | Counterparty                            | Nature of Relationship   | Intercompany Transactions     |            |        |  |
|-----|---|---|--------------------------|-------------------------------|------------|--------|--|
|     |   |   |                          | Financial Statement Item      | Amount     | Terms  | Percentage of Consolidated Total Gross Sales or Total Assets (%) |
| 0   | The Company                             | King Slide Technology Co., Ltd.         | Parent to Subsidiary     | Sales                         | \$ 450,283 | Note 1 | 7.00   |
| 0   | The Company                             | King Slide Technology Co., Ltd.         | Parent to Subsidiary     | Processing income             | 13,797     | Note 1 | -  |
| 0   | The Company                             | King Slide Technology Co., Ltd.         | Parent to Subsidiary     | Notes receivable              | 140,150    | Note 3 | 1.00   |
| 0   | The Company                             | King Slide Technology Co., Ltd.         | Parent to Subsidiary     | Accounts receivable           | 55,259     | Note 3 | -  |
| 0   | The Company                             | King Slide Technology Co., Ltd.         | Parent to Subsidiary     | Other receivables             | 3,301      | Note 3 | -  |
| 0   | The Company                             | King Slide Technology Co., Ltd.         | Parent to Subsidiary     | Service revenue               | 3,732      | Note 2 | -  |
| 0   | The Company                             | King Slide Technology Co., Ltd.         | Parent to Subsidiary     | Technology and service income | 2,951      | Note 5 | -  |
| 0   | The Company                             | King Slide Technology (China) Co., Ltd. | Parent to Subsidiary     | Sales                         | 60,730     | Note 6 | 1.00   |
| 0   | The Company                             | King Slide Technology (China) Co., Ltd. | Parent to Subsidiary     | Accounts receivable           | 21,347     | Note 3 | -  |
| 1   | King Slide Technology Co., Ltd.         | The Company                             | Subsidiary to Parent     | Sales and processing income   | 169,537    | Note 1 | 3.00   |
| 1   | King Slide Technology Co., Ltd.         | The Company                             | Subsidiary to Parent     | Notes receivable              | 42,588     | Note 3 | -  |
| 1   | King Slide Technology Co., Ltd.         | The Company                             | Subsidiary to Parent     | Accounts receivable           | 17,755     | Note 3 | -  |
| 1   | King Slide Technology Co., Ltd.         | King Slide USA, Inc.                    | Subsidiary to subsidiary | Sales                         | 4,591      | Note 6 | -  |
| 1   | King Slide Technology Co., Ltd.         | King Slide USA, Inc.                    | Subsidiary to subsidiary | Accounts receivable           | 1,165      | Note 3 | -  |
| 2   | King Slide Technology (China) Co., Ltd. | The Company                             | Subsidiary to Parent     | Sales                         | 60,348     | Note 6 | 1.00   |
| 2   | King Slide Technology (China) Co., Ltd. | The Company                             | Subsidiary to Parent     | Accounts receivable           | 6,796      | Note 7 | -  |

(Continued)

| No. | Company              | Counterparty                    | Nature of Relationship   | Intercompany Transactions |          |        |  |
|-----|----------------------|---------------------------------|--------------------------|---------------------------|----------|--------|--|
|     |                      |                                 |                          | Financial Statement Item  | Amount   | Terms  | Percentage of Consolidated Total Gross Sales or Total Assets (%) |
| 3   | King Slide USA, Inc. | King Slide Technology Co., Ltd. | Subsidiary to subsidiary | Commissions               | \$ 4,676 | Note 4 | -  |

- Note 1: The sales price is based on cost.
- Note 2: The revenue is based on the number of hours provided in King Slide Technology Co., Ltd.
- Note 3: Expect for the commissions paid in 10 days, the payment term is the same as the customers’ average payment term of 90 days.
- Note 4: Commission is based on the ratio of the sales amount of a specific customer.
- Note 5: The price is based on the ratio of the net sales of a specific product.
- Note 6: The sales price is based on cost plus gross profit.
- Note 7: The payment term is 30 days.

(Concluded)

**TABLE 5**

**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

[illegible]

Note: It was eliminated on consolidation.

TABLE 6

## KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

| Investee Company                           | Main Businesses and Products   | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 | Net Income (Loss) of the Investee (Note 4) | % of Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 4 and 5) | Carrying Amount as of December 31, 2020 (Note 5) | Accumulated Repatriation of Investment Income as of December 31, 2020 | Note |
|--|--|-----------------|----------------------|---|---------------------|--------|---|--|---|--|--|---|------|
|  |  |                 |                      |   | Outward             | Inward |   |  |   |  |  |   |      |
| King Slide Technology (China) Co., Ltd.    | Wholesale and provide related services for rail kits, slides and accessories   | \$ 157,282      | Note 1               | \$ 157,282  | \$ -                | \$ -   | \$ 157,282  | \$ 8,990                                   | 100   | \$ 8,990                               | \$ 128,197                                       | \$ -  |      |
| King Slide Technology (Shenzhen) Co., Ltd. | Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies. | 4,306           | Note 2               | -   | -                   | -      | -   | (250)                                      | 100   | (250)                                  | 3,690  | -   |      |

| Investor Company | Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3) |
|------------------|---|--|--|
| The Company      | \$ 157,282  | \$ 157,282   | \$ 7,561,972   |

Note 1: Invested through King Slide (Hong Kong) Co., Limited, a company in Hong Kong.

Note 2: Invested through King Slide Technology (China) Co., Ltd.

Note 3: Upper limit on the amount of investment in mainland China:  $\$12,603,287 \times 60\% = \$7,561,972$ .

Note 4 The amount was recognized based on the financial statements audited by the Company's CPA.

Note 5 It was eliminated on consolidation.

TABLE 7

**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**

## INFORMATION OF MAJOR SHAREHOLDERS

**DECEMBER 31, 2021**[illegible]

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
King Slide Works Co., Ltd.

### Opinion

We have audited the accompanying financial statements of King Slide Works Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2021 is as follows:

#### Recoverability of accounts receivable

As of December 31, 2021, the net amount of accounts receivable of the Company was NT\$384,773 thousand, representing 3% of the Company's total assets. Management estimated the recoverability of accounts receivable based on the IFRS. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of the internal controls relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We verified the existence of the accounts receivable by examination of samples of confirmation letters, collection records after the balance sheet date, and delivery receipts signed by customers or shipping records.
2. We tested the aging schedule prepared by the Company against the supporting documents on a sample basis, individually assessed the recoverability of overdue accounts or doubtful accounts, and also reviewed the reasonableness of the impairment loss based on the historical experience in collection and other available information.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the Company's financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

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

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

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

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

direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit opinion..

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chen-Li Chen and Chia-Ling Chiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2022

#### Notice to Readers

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

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

# KING SLIDE WORKS CO., LTD.

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

| ASSETS   | December 31, 2021 |     | December 31, 2020 |     |
|--|-------------------|-----|-------------------|-----|
|  | Amount            | %   | Amount            | %   |
| CURRENT ASSETS   |                   |     |                   |     |
| Cash and cash equivalents (Notes 4 and 6)  | \$ 2,175,284      | 16  | \$ 2,492,360      | 21  |
| Financial assets at amortized cost - current (Note 7)                              | 636,594           | 5   | -                 | -   |
| Notes receivable (Notes 4 and 8)   | 56,177            | -   | 47,658            | -   |
| Notes receivable - related parties (Notes 8 and 23)                                | 140,150           | 1   | 79,445            | 1   |
| Accounts receivable, net (Notes 4, 5 and 8)  | 384,773           | 3   | 265,493           | 2   |
| Accounts receivable - related parties (Notes 8 and 23)                             | 76,606            | 1   | 48,107            | 1   |
| Other receivables  | 7,369             | -   | 1,597             | -   |
| Other receivables - related parties (Note 23)                                      | 3,301             | -   | 1,077             | -   |
| Inventories (Notes 4 and 9)  | 330,094           | 3   | 168,376           | 2   |
| Other current assets   | 22,581            | -   | 15,310            | -   |
| Total current assets   | 3,832,929         | 29  | 3,119,423         | 27  |
| NONCURRENT ASSETS  |                   |     |                   |     |
| Investments accounted for using the equity method (Notes 4 and 10)                 | 9,018,001         | 68  | 8,145,485         | 69  |
| Property, plant and equipment (Notes 4, 11 and 24)                                 | 450,262           | 3   | 422,567           | 4   |
| Software (Note 4)  | 895               | -   | 2,046             | -   |
| Deferred tax assets (Notes 4 and 19)   | 39,077            | -   | 45,496            | -   |
| Prepayments for equipment  | 9,500             | -   | -                 | -   |
| Refundable deposits  | 231               | -   | 281               | -   |
| Total noncurrent assets  | 9,517,966         | 71  | 8,615,875         | 73  |
| TOTAL  | \$ 13,350,895     | 100 | \$ 11,735,298     | 100 |
| LIABILITIES AND EQUITY   |                   |     |                   |     |
| CURRENT LIABILITIES  |                   |     |                   |     |
| Notes payable (Note 12)  | \$ 146,049        | 1   | \$ 106,532        | 1   |
| Notes payable - related parties (Notes 12 and 23)                                  | 42,588            | 1   | 22,518            | -   |
| Accounts payable (Note 12)   | 37,844            | -   | 33,568            | -   |
| Accounts payable - related parties (Notes 12 and 23)                               | 24,551            | -   | 20,493            | -   |
| Other payables (Note 13)   | 299,135           | 2   | 247,803           | 2   |
| Other payable - related parties (Note 23)  | -                 | -   | 260               | -   |
| Current tax liabilities (Notes 4 and 19)   | 103,129           | 1   | 94,573            | 1   |
| Refund liability - current (Note 14)   | 3,411             | -   | 3,393             | -   |
| Other current liabilities  | 9,939             | -   | 6,075             | -   |
| Total current liabilities  | 666,646           | 5   | 535,215           | 4   |
| NONCURRENT LIABILITIES   |                   |     |                   |     |
| Deferred tax liabilities (Notes 4 and 19)  | 47,090            | 1   | 47,090            | 1   |
| Net defined benefit liabilities (Notes 4 and 15)                                   | 33,872            | -   | 31,952            | -   |
| Total noncurrent liabilities   | 80,962            | 1   | 79,042            | 1   |
| Total liabilities  | 747,608           | 6   | 614,257           | 5   |
| EQUITY (Note 16)   |                   |     |                   |     |
| Ordinary shares  | 952,971           | 7   | 952,971           | 8   |
| Capital surplus  | 796,691           | 6   | 796,691           | 7   |
| Retained earnings  |                   |     |                   |     |
| Legal reserve  | 1,435,887         | 11  | 1,319,444         | 11  |
| Special reserve  | 9,219             | -   | 7,670             | -   |
| Unappropriated earnings  | 9,417,821         | 70  | 8,053,484         | 69  |
| Total retained earnings  | 10,862,927        | 81  | 9,380,598         | 80  |
| Other equity   |                   |     |                   |     |
| Exchange differences on translating the financial statements of foreign operations | (9,302)           | -   | (9,219)           | -   |
| Total equity   | 12,603,287        | 94  | 11,121,041        | 95  |
| TOTAL  | \$ 13,350,895     | 100 | \$ 11,735,298     | 100 |

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

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2021             |           | 2020             |           |
|--|------------------|-----------|------------------|-----------|
|  | Amount           | %         | Amount           | %         |
| OPERATING REVENUE (Notes 4, 14, 17 and 23)             | \$ 2,475,665     | 100       | \$ 1,835,129     | 100       |
| OPERATING COSTS (Notes 9, 18 and 23)                   | <u>1,723,865</u> | <u>70</u> | <u>1,192,362</u> | <u>65</u> |
| GROSS PROFIT   | 751,800          | 30        | 642,767          | 35        |
| UNREALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES   | (3,478)          | -         | (2,613)          | -         |
| REALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES     | <u>2,613</u>     | <u>-</u>  | <u>1,513</u>     | <u>-</u>  |
| REALIZED GROSS PROFIT                                  | <u>750,935</u>   | <u>30</u> | <u>641,667</u>   | <u>35</u> |
| OPERATING EXPENSES (Notes 8, 18 and 23)                |                  |           |                  |           |
| Selling and marketing                                  | 84,380           | 3         | 75,007           | 4         |
| General and administrative                             | 104,003          | 4         | 88,001           | 5         |
| Research and development                               | 112,497          | 5         | 102,584          | 6         |
| Expected credit loss recognized (reversed)             | <u>1,922</u>     | <u>-</u>  | <u>(578)</u>     | <u>-</u>  |
| Total operating expenses                               | <u>302,802</u>   | <u>12</u> | <u>265,014</u>   | <u>15</u> |
| PROFIT FROM OPERATIONS                                 | <u>448,133</u>   | <u>18</u> | <u>376,653</u>   | <u>20</u> |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 18 and 23) |                  |           |                  |           |
| Other gains and losses                                 | (20,720)         | (1)       | (115,120)        | (6)       |
| Interest income  | 5,334            | -         | 20,782           | 1         |
| Share of profit of subsidiaries                        | <u>1,743,135</u> | <u>71</u> | <u>968,578</u>   | <u>53</u> |
| Total non-operating income and expenses                | <u>1,727,749</u> | <u>70</u> | <u>874,240</u>   | <u>48</u> |
| PROFIT BEFORE INCOME TAX                               | 2,175,882        | 88        | 1,250,893        | 68        |
| INCOME TAX EXPENSE (Notes 4 and 19)                    | <u>103,362</u>   | <u>4</u>  | <u>86,304</u>    | <u>5</u>  |
| NET PROFIT FOR THE YEAR                                | <u>2,072,520</u> | <u>84</u> | <u>1,164,589</u> | <u>63</u> |

(Continued)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2021                |            | 2020                |           |
|---|---------------------|------------|---------------------|-----------|
|   | Amount              | %          | Amount              | %         |
| OTHER COMPREHENSIVE INCOME (LOSS)   |                     |            |                     |           |
| (Notes 15 and 19)   |                     |            |                     |           |
| Items that will not be reclassified subsequently to profit or loss:                       |                     |            |                     |           |
| Remeasurement of defined benefit plans  | \$ (8,716)          | (1)        | \$ (199)            | -         |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>1,743</u>        | <u>-</u>   | <u>40</u>           | <u>-</u>  |
|   | <u>(6,973)</u>      | <u>(1)</u> | <u>(159)</u>        | <u>-</u>  |
| Items that may be reclassified subsequently to profit or loss:                            |                     |            |                     |           |
| Exchange differences on translating the financial statements of foreign operations        | (104)               | -          | (1,937)             | -         |
| Income tax relating to items that may be reclassified subsequently to profit or loss      | <u>21</u>           | <u>-</u>   | <u>388</u>          | <u>-</u>  |
|   | <u>(83)</u>         | <u>-</u>   | <u>(1,549)</u>      | <u>-</u>  |
| Other comprehensive loss for the year, net of income tax                                  | <u>(7,056)</u>      | <u>(1)</u> | <u>(1,708)</u>      | <u>-</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>\$ 2,065,464</u> | <u>83</u>  | <u>\$ 1,162,881</u> | <u>63</u> |
| EARNINGS PER SHARE (Note 20)  |                     |            |                     |           |
| Basic   | <u>\$ 21.75</u>     |            | <u>\$ 12.22</u>     |           |
| Diluted   | <u>\$ 21.55</u>     |            | <u>\$ 12.14</u>     |           |

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

(Concluded)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   |                 |                 | Retained Earnings |                 |                            | Exchange<br>Differences on<br>Translation of the<br>Financial<br>Statements of<br>Foreign Operations | Total Equity  |
|---|-----------------|-----------------|-------------------|-----------------|----------------------------|--|---------------|
|   | Ordinary Shares | Capital Surplus | Legal Reserve     | Special Reserve | Unappropriated<br>Earnings |  |               |
| BALANCE AT JANUARY 1, 2020  | \$ 952,971      | \$ 796,691      | \$ 1,163,619      | \$ 6,221        | \$ 7,808,705               | \$ (7,670)   | \$ 10,720,537 |
| Appropriation of 2019 earnings (Note 16)  |                 |                 |                   |                 |                            |  |               |
| Legal reserve   | -               | -               | 155,825           | -               | (155,825)                  | -  | -             |
| Special reserve   | -               | -               | -                 | 1,449           | (1,449)                    | -  | -             |
| Cash dividends distributed by the Company   | -               | -               | -                 | -               | (762,377)                  | -  | (762,377)     |
|   | -               | -               | 155,825           | 1,449           | (919,651)                  | -  | (762,377)     |
| Net profit for the year ended December 31, 2020                                     | -               | -               | -                 | -               | 1,164,589                  | -  | 1,164,589     |
| Other comprehensive loss for the year ended December 31, 2020,<br>net of income tax | -               | -               | -                 | -               | (159)                      | (1,549)  | (1,708)       |
| Total comprehensive income (loss) for the year ended December<br>31, 2020           | -               | -               | -                 | -               | 1,164,430                  | (1,549)  | 1,162,881     |
| BALANCE AT DECEMBER 31, 2020  | 952,971         | 796,691         | 1,319,444         | 7,670           | 8,053,484                  | (9,219)  | 11,121,041    |
| Appropriation of 2020 earnings (Note 16)  |                 |                 |                   |                 |                            |  |               |
| Legal reserve   | -               | -               | 116,443           | -               | (116,443)                  | -  | -             |
| Special reserve   | -               | -               | -                 | 1,549           | (1,549)                    | -  | -             |
| Cash dividends distributed by the Company   | -               | -               | -                 | -               | (583,218)                  | -  | (583,218)     |
|   | -               | -               | 116,443           | 1,549           | (701,210)                  | -  | (583,218)     |
| Net profit for the year ended December 31, 2021                                     | -               | -               | -                 | -               | 2,072,520                  | -  | 2,072,520     |
| Other comprehensive loss for the year ended December 31, 2021,<br>net of income tax | -               | -               | -                 | -               | (6,973)                    | (83)   | (7,056)       |
| Total comprehensive income (loss) for the year ended December<br>31, 2021           | -               | -               | -                 | -               | 2,065,547                  | (83)   | 2,065,464     |
| BALANCE AT DECEMBER 31, 2021  | \$ 952,971      | \$ 796,691      | \$ 1,435,887      | \$ 9,219        | \$ 9,417,821               | \$ (9,302)   | \$ 12,603,287 |

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

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

|   | 2021         | 2020         |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                            |              |              |
| Profit before income tax  | \$ 2,175,882 | \$ 1,250,893 |
| Adjustments for:  |              |              |
| Depreciation expenses   | 38,101       | 35,333       |
| Amortization expenses   | 1,421        | 1,288        |
| Expected credit loss recognized (reversed)                      | 1,922        | (578)        |
| Recognition of refund liabilities                               | 18           | 301          |
| Gain on disposal of property, plant and equipment, net          | (4,232)      | (797)        |
| Interest income   | (5,334)      | (20,782)     |
| Share of profit of subsidiaries                                 | (1,743,135)  | (968,578)    |
| Write-downs (reversal) of inventories                           | 3,666        | (2,603)      |
| Unrealized gain on transactions with subsidiaries               | 3,478        | 2,613        |
| Realized gain on transactions with subsidiaries                 | (2,613)      | (1,513)      |
| Net loss on foreign currency exchange                           | (27,212)     | 57,870       |
| Changes in operating assets and liabilities                     |              |              |
| Notes receivable  | (8,519)      | (7,181)      |
| Notes receivable - related parties                              | (60,705)     | 13,082       |
| Accounts receivable   | (121,202)    | (26,706)     |
| Accounts receivable - related parties                           | (28,499)     | 7,510        |
| Other receivables   | (5,642)      | 632          |
| Other receivables - related parties                             | (2,224)      | 2,202        |
| Inventories   | (165,384)    | (1,454)      |
| Other current assets  | (7,271)      | 4,761        |
| Notes payable   | 28,970       | 5,136        |
| Notes payable - related parties                                 | 20,070       | (3,764)      |
| Accounts payable  | 4,276        | 560          |
| Accounts payable - related parties                              | 4,058        | (3,788)      |
| Other payables  | 48,818       | (19,320)     |
| Other payables - related parties                                | (260)        | 246          |
| Other current liabilities                                       | 3,864        | (4,594)      |
| Net defined benefit liabilities                                 | (4,640)      | (4,285)      |
| Cash generated from operations                                  | 147,672      | 316,484      |
| Interest received   | 5,204        | 23,466       |
| Dividend income   | 869,650      | 200,000      |
| Income tax paid   | (86,623)     | (81,942)     |
| Net cash generated from operating activities                    | 935,903      | 458,008      |
| CASH FLOWS FROM INVESTING ACTIVITIES                            |              |              |
| Acquisition of investment accounted for using the equity method | (636,594)    | -            |
| Payments for property, plant and equipment                      | (64,631)     | (39,716)     |
| Proceeds from disposal of property, plant and equipment         | 4,472        | 898          |
| Decrease in refundable deposits                                 | 50           | -            |
| Payments for intangible assets                                  | (270)        | (680)        |
| Net cash used in investing activities                           | (696,973)    | (39,498)     |

(Continued)

# KING SLIDE WORKS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

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|   | 2021                | 2020                |
|---|---------------------|---------------------|
| CASH FLOWS USED IN FINANCING ACTIVITIES   |                     |                     |
| Cash dividends  | \$ (583,218)        | \$ (762,377)        |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF<br>CASH AND CASH EQUIVALENTS HELD IN FOREIGN<br>CURRENCIES | <u>27,212</u>       | <u>(57,870)</u>     |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | (317,076)           | (401,737)           |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR   | <u>2,492,360</u>    | <u>2,894,097</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR  | <u>\$ 2,175,284</u> | <u>\$ 2,492,360</u> |

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

(Concluded)



# KING SLIDE WORKS CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

King Slide Works Co., Ltd. (the “Company”) was incorporated in September 1986 under the laws of the Republic of China (ROC). The Company mainly manufactures, processes and sells the following products:

- Rail kits for cloud computing servers and data devices.
- Furniture accessories, slides and molds.

The Company’s shares have been listed on the Taiwan Stock Exchange.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 25, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

| New IFRSs   | Effective Date<br>Announced by IASB |
|---|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020”                                   | January 1, 2022 (Note 1)            |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                        | January 1, 2022 (Note 2)            |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3)            |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”            | January 1, 2022 (Note 4)            |

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or

after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company assessed that the application of standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB                             |
| IFRS 17 "Insurance Contracts"  | January 1, 2023                                      |
| Amendments to IFRS 17  | January 1, 2023                                      |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"                              | January 1, 2023                                      |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"  | January 1, 2023                                      |
| Amendments to IAS 1 "Disclosure of Accounting Policies"  | January 1, 2023 (Note 2)                             |
| Amendments to IAS 8 "Definition of Accounting Estimates"   | January 1, 2023 (Note 3)                             |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"                  | January 1, 2023 (Note 4)                             |

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the

## Preparation of Financial Reports by Securities Issuers.

### b. Basis of preparation

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries. In order for the amount of net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to “investments accounted for using the equity method”, “share of profit or loss of subsidiaries”, “share of other comprehensive loss of subsidiaries accounted for using the equity method” in the parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

### d. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated subsequently.

For the purpose of presenting the financial statements, the functional currencies of the Company's foreign operations are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation

differences are recognized in other comprehensive income.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss, other comprehensive income of the subsidiary, and attributable distribution received. The Company also recognized its share in the changes in equity of subsidiaries.

Profit or loss resulting from downstream transactions is eliminated in full in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized in the financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Freehold land is not depreciated.

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

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

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

i. Impairment of property, plant and equipment and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

a) Measurement categories

Financial assets are classified into financial assets at amortized cost.

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

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

b) Impairment of financial assets

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

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

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

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

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

The financial liabilities held by the Company are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance

obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of rail kits. Sales of rail kits are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

l. Leases

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

When the Company is as a lessee, the Company applies the recognition exemption for the short-term leases and low-value asset leases, and the lease payments are recognized as expenses on a straight-line basis over the lease terms.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

n. Taxation

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

1) Current tax

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

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

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

## 2) Deferred tax

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

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

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

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

## 3) Current and deferred taxes for the year

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

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

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

The Company considers the possible impact when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

### Key sources of estimation uncertainty

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, refer to Note 8.

## 6. CASH AND CASH EQUIVALENTS



|   | 2021                | 2020                |
|---|---------------------|---------------------|
| Cash on hand  | \$ 67               | \$ 99               |
| Checking accounts and demand deposits                                       | 374,660             | 455,389             |
| Cash equivalents (investments with original maturities of 3 months or less) |                     |                     |
| Commercial papers   | 389,475             | 384,605             |
| Time deposits   | <u>1,411,082</u>    | <u>1,652,267</u>    |
|   | <u>\$ 2,175,284</u> | <u>\$ 2,492,360</u> |

The market interest rates of cash equivalents at the end of the reporting year were as follows:

|                       | December 31 |           |
|-----------------------|-------------|-----------|
|                       | 2021        | 2020      |
| Commercial papers (%) | 0.24        | 0.27      |
| Time deposits (%)     | 0.16-2.26   | 0.20-1.90 |

The Company dealt with many creditworthy financial institutions to disperse credit risk; therefore, there was no expected credit loss.

#### 7. FINANCIAL ASSETS AT AMORTIZED COST - ONLY AS OF DECEMBER 31, 2021

|  | December 31,<br>2021 |
|--|----------------------|
| Time deposits with original maturities of more than 3 months | <u>\$ 636,594</u>    |

The annual interest rate of financial assets measured by amortized cost on the balance sheet date is as follows:

|                 | December 31,<br>2021 |
|-----------------|----------------------|
| Annual rate (%) | 0.17                 |

The counterparties of the financial assets at amortized cost are mainly bank with good credit ratings. There is no significant doubt about the performance of the contract, and there is no significant credit risk in the assessment.

#### 8. NOTES, ACCOUNTS AND OVERDUE RECEIVABLES, NET

|   | December 31      |                  |
|---|------------------|------------------|
|   | 2021             | 2020             |
| <u>Notes receivable - non-related parties</u>       |                  |                  |
| At amortized cost                                   |                  |                  |
| Operating   | \$ 56,177        | \$ 47,648        |
| Non-operating                                       | <u>-</u>         | <u>10</u>        |
|   | <u>\$ 56,177</u> | <u>\$ 47,658</u> |
| <u>Notes receivable - related parties (Note 23)</u> |                  |                  |

|   |                   |                   |
|---|-------------------|-------------------|
| At amortized cost   |                   |                   |
| Operating   | \$ 138,866        | \$ 79,445         |
| Non-operating   | <u>1,284</u>      | <u>-</u>          |
|   | <u>\$ 140,150</u> | <u>\$ 79,445</u>  |
| <hr/> Accounts receivable - non-related parties <hr/>       |                   |                   |
| At amortized cost   |                   |                   |
| Gross carrying amount                                       | \$ 387,225        | \$ 266,023        |
| Less: Allowance for impairment loss                         | <u>2,452</u>      | <u>530</u>        |
|   | <u>\$ 384,773</u> | <u>\$ 265,493</u> |
| <hr/> Accounts receivable - related parties (Note 23) <hr/> |                   |                   |
| At amortized cost   |                   |                   |
| Operating   | <u>\$ 76,606</u>  | <u>\$ 48,107</u>  |
| <hr/> Overdue receivables <hr/>                             |                   |                   |
| Non-accrual loan  | \$ 1,213          | \$ 1,213          |
| Less: Allowance for impairment loss                         | <u>1,213</u>      | <u>1,213</u>      |
|   | <u>\$ -</u>       | <u>\$ -</u>       |

The average credit period of sales of goods was 30-150 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company makes allowance for expected credit loss at an amount equal to lifetime expected credit loss for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

There were no notes receivable that were past due or impaired at the end of the reporting year.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

a. December 31, 2021

|                               | Not Past Due | Past Due 1 to 60 Days | Past Due 61 to 90 Days | Past Due 91 to 120 Days | Past Due Over 120 Days | Total      |
|-------------------------------|--------------|-----------------------|------------------------|-------------------------|------------------------|------------|
| Expected credit loss rate (%) | 0-0.1        | 1                     | 10                     | 50                      | 100                    | -          |
| Gross carrying amount         | \$ 391,284   | \$ 68,818             | \$ 1,085               | \$ 2,624                | \$ 20                  | \$ 463,831 |

|                               |                   |                  |               |                 |             |                   |
|-------------------------------|-------------------|------------------|---------------|-----------------|-------------|-------------------|
| Loss allowance (Lifetime ECL) | <u>(324)</u>      | <u>(688)</u>     | <u>(108)</u>  | <u>(1,312)</u>  | <u>(20)</u> | <u>(2,452)</u>    |
| Amortized cost                | <u>\$ 390,960</u> | <u>\$ 68,130</u> | <u>\$ 977</u> | <u>\$ 1,312</u> | <u>\$ -</u> | <u>\$ 461,379</u> |

b. December 31, 2020

|                               | Not Past Due      | Past Due 1 to 60 Days | Past Due 61 to 90 Days | Past Due 91 to 120 Days | Past Due Over 120 Days | Total             |
|-------------------------------|-------------------|-----------------------|------------------------|-------------------------|------------------------|-------------------|
| Expected credit loss rate (%) | 0-0.1             | 1                     | 10                     | 50                      | 100                    | -                 |
| Gross carrying amount         | \$ 288,353        | \$ 25,734             | \$ -                   | \$ 32                   | \$ 11                  | \$ 314,130        |
| Loss allowance (Lifetime ECL) | <u>(246)</u>      | <u>(257)</u>          | <u>-</u>               | <u>(16)</u>             | <u>(11)</u>            | <u>(530)</u>      |
| Amortized cost                | <u>\$ 288,107</u> | <u>\$ 25,477</u>      | <u>\$ -</u>            | <u>\$ 16</u>            | <u>\$ -</u>            | <u>\$ 313,600</u> |

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

|                              | Accounts Receivable | Overdue Receivable | Total           |
|------------------------------|---------------------|--------------------|-----------------|
| Balance at January 1, 2021   | \$ 530              | \$ 1,213           | \$ 1,743        |
| Impairment losses            | <u>1,922</u>        | <u>-</u>           | <u>1,922</u>    |
| Balance at December 31, 2021 | <u>\$ 2,452</u>     | <u>\$ 1,213</u>    | <u>\$ 3,665</u> |
| Balance at January 1, 2020   | \$ 1,108            | \$ 1,213           | \$ 2,321        |
| Impairment losses reversed   | <u>(578)</u>        | <u>-</u>           | <u>(578)</u>    |
| Balance at December 31, 2020 | <u>\$ 530</u>       | <u>\$ 1,213</u>    | <u>\$ 1,743</u> |

## 9. INVENTORIES

|                 | December 31       |                   |
|-----------------|-------------------|-------------------|
|                 | 2021              | 2020              |
| Finished goods  | \$ 60,756         | \$ 32,473         |
| Work-in-process | 51,900            | 43,225            |
| Raw materials   | 213,455           | 87,822            |
| Supplies        | 3,983             | 4,842             |
| Merchandise     | <u>-</u>          | <u>14</u>         |
|                 | <u>\$ 330,094</u> | <u>\$ 168,376</u> |

The cost of inventories recognized as costs of goods sold was \$1,723,865 thousand and \$1,192,362 thousand for the years ended December 31, 2021 and 2020, respectively, which included the following items:

|                            | For the Year Ended December 31 |                    |
|----------------------------|--------------------------------|--------------------|
|                            | 2021                           | 2020               |
| Write-downs (reverses)     | \$ 3,666                       | \$ (2,603)         |
| Income from sale of scraps | <u>(35,797)</u>                | <u>(18,593)</u>    |
|                            | <u>\$ (32,131)</u>             | <u>\$ (21,196)</u> |

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                                 | December 31         |                     |
|---------------------------------|---------------------|---------------------|
|                                 | 2021                | 2020                |
| Unlisted company                |                     |                     |
| King Slide Technology Co., Ltd. | \$ 8,850,768        | \$ 7,989,127        |
| King Slide (Samoa) Co., Ltd.    | 128,197             | 119,244             |
| King Slide USA, Inc.            | 39,036              | 37,114              |
|                                 | <u>\$ 9,018,001</u> | <u>\$ 8,145,485</u> |

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were recognized based on the subsidiaries' financial statements which have been audited. Refer to Table 3 on "Information on Investees".

## 11. PROPERTY, PLANT AND EQUIPMENT

a. Movements of cost and accumulated depreciation are as follows:

### For the year ended December 31, 2021

|                                       | Land              | Buildings           | Machinery and Equipment | Transportation Equipment | Office Equipment   | Others             | Property under Construction | Total                 |
|---------------------------------------|-------------------|---------------------|-------------------------|--------------------------|--------------------|--------------------|-----------------------------|-----------------------|
| Cost                                  |                   |                     |                         |                          |                    |                    |                             |                       |
| Balance at January 1, 2021            | \$ 226,670        | \$ 200,728          | \$ 781,122              | \$ 6,171                 | \$ 38,060          | \$ 90,916          | \$ 54,822                   | \$ 1,398,489          |
| Additions                             | -                 | 3,086               | 30,448                  | -                        | 1,720              | 7,322              | 23,460                      | 66,036                |
| Disposals                             | -                 | -                   | (10,369)                | -                        | (493)              | (887)              | -                           | (11,749)              |
| Balance at December 31, 2021          | <u>\$ 226,670</u> | <u>\$ 203,814</u>   | <u>\$ 801,201</u>       | <u>\$ 6,171</u>          | <u>\$ 39,287</u>   | <u>\$ 97,351</u>   | <u>\$ 78,282</u>            | <u>\$ 1,452,776</u>   |
| Accumulated depreciation              |                   |                     |                         |                          |                    |                    |                             |                       |
| Balance at January 1, 2021            | \$ -              | \$ (145,531)        | \$ (718,360)            | \$ (3,058)               | \$ (34,130)        | \$ (74,843)        | \$ -                        | \$ (975,922)          |
| Depreciation expense                  | -                 | (5,845)             | (25,417)                | (907)                    | (1,626)            | (4,306)            | -                           | (38,101)              |
| Disposals                             | -                 | -                   | 10,129                  | -                        | 493                | 887                | -                           | 11,509                |
| Balance at December 31, 2021          | <u>\$ -</u>       | <u>\$ (151,376)</u> | <u>\$ (733,648)</u>     | <u>\$ (3,965)</u>        | <u>\$ (35,263)</u> | <u>\$ (78,262)</u> | <u>\$ -</u>                 | <u>\$ (1,002,514)</u> |
| Carrying amounts at December 31, 2021 | <u>\$ 226,670</u> | <u>\$ 52,438</u>    | <u>\$ 67,553</u>        | <u>\$ 2,206</u>          | <u>\$ 4,024</u>    | <u>\$ 19,089</u>   | <u>\$ 78,282</u>            | <u>\$ 450,262</u>     |

### For the year ended December 31, 2020

|                                       | Land              | Buildings           | Machinery and Equipment | Transportation Equipment | Office Equipment   | Others             | Property under Construction | Total               |
|---------------------------------------|-------------------|---------------------|-------------------------|--------------------------|--------------------|--------------------|-----------------------------|---------------------|
| Cost                                  |                   |                     |                         |                          |                    |                    |                             |                     |
| Balance at January 1, 2020            | \$ 226,670        | \$ 198,567          | \$ 775,355              | \$ 6,171                 | \$ 37,226          | \$ 88,565          | \$ -                        | \$ 1,332,554        |
| Additions                             | -                 | 2,161               | 21,263                  | -                        | 2,420              | 3,469              | 54,822                      | 84,135              |
| Disposals                             | -                 | -                   | (15,496)                | -                        | (1,586)            | (1,118)            | -                           | (18,200)            |
| Balance at December 31, 2020          | <u>\$ 226,670</u> | <u>\$ 200,728</u>   | <u>\$ 781,122</u>       | <u>\$ 6,171</u>          | <u>\$ 38,060</u>   | <u>\$ 90,916</u>   | <u>\$ 54,822</u>            | <u>\$ 1,398,489</u> |
| Accumulated depreciation              |                   |                     |                         |                          |                    |                    |                             |                     |
| Balance at January 1, 2020            | \$ -              | \$ (139,966)        | \$ (710,322)            | \$ (2,151)               | \$ (34,027)        | \$ (72,222)        | \$ -                        | \$ (958,688)        |
| Depreciation expense                  | -                 | (5,565)             | (23,434)                | (907)                    | (1,689)            | (3,738)            | -                           | (35,333)            |
| Disposals                             | -                 | -                   | 15,396                  | -                        | 1,586              | 1,117              | -                           | 18,099              |
| Balance at December 31, 2020          | <u>\$ -</u>       | <u>\$ (145,531)</u> | <u>\$ (718,360)</u>     | <u>\$ (3,058)</u>        | <u>\$ (34,130)</u> | <u>\$ (74,843)</u> | <u>\$ -</u>                 | <u>\$ (975,922)</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 226,670</u> | <u>\$ 55,197</u>    | <u>\$ 62,762</u>        | <u>\$ 3,113</u>          | <u>\$ 3,930</u>    | <u>\$ 16,073</u>   | <u>\$ 54,822</u>            | <u>\$ 422,567</u>   |

b. Estimated useful lives

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

|                          |            |
|--------------------------|------------|
| Buildings                |            |
| Plant                    | 30 years   |
| Office                   | 50 years   |
| Others                   | 5-35 years |
| Machinery and equipment  |            |
| Molding                  | 8 years    |
| Electroplating           | 8 years    |
| Others                   | 2-11 years |
| Transportation equipment | 5 years    |
| Office equipment         | 2-15 years |
| Others                   |            |
| Crane                    | 10 years   |
| ASRS                     | 10 years   |
| Others                   | 3-20 years |

c. Investing activities affecting both cash and non-cash items

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2021</b>                           | <b>2020</b>      |
| Acquisition of property, plant and equipment     | \$ 66,036                             | \$ 84,135        |
| Increase (decrease) in prepayments for equipment | 9,500                                 | (39,254)         |
| Increase in payables for purchased equipment     | <u>(10,905)</u>                       | <u>(5,165)</u>   |
| Cash paid  | <u>\$ 64,631</u>                      | <u>\$ 39,716</u> |

## 12. NOTES PAYABLE AND ACCOUNTS PAYABLE

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2021</b>        | <b>2020</b>       |
| <hr/> Notes payable - non-related parties <hr/>          |                    |                   |
| Operating  | \$ 132,924         | \$ 103,954        |
| Non-operating  | <u>13,125</u>      | <u>2,578</u>      |
|  | <u>\$ 146,049</u>  | <u>\$ 106,532</u> |
| <hr/> Notes payable - related parties (Note 23) <hr/>    |                    |                   |
| Operating  | <u>\$ 42,588</u>   | <u>\$ 22,518</u>  |
| <hr/> Accounts payable - non-related parties <hr/>       |                    |                   |
| Operating  | <u>\$ 37,844</u>   | <u>\$ 33,568</u>  |
| <hr/> Accounts payable - related parties (Note 23) <hr/> |                    |                   |
| Operating  | <u>\$ 24,551</u>   | <u>\$ 20,493</u>  |

a. Notes payable

The Company's notes payable from non-operating activities were used for acquisition of property, plant and equipment.

b. Accounts payable

The average credit period of purchasing materials and supplies was 30-90 days. The Company has a financial risk management policy to ensure that payables are paid within the pre-agreed credit terms.

### 13. OTHER PAYABLES

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2021</b>        | <b>2020</b>       |
| Payables for compensation of employees and compensation of directors and supervisors | \$ 139,838         | \$ 116,318        |
| Payables for salaries and bonuses  | 102,320            | 84,328            |
| Others   | <u>56,977</u>      | <u>47,157</u>     |
|  | <u>\$ 299,135</u>  | <u>\$ 247,803</u> |

### 14. REFUND LIABILITY

The refund liability was estimated based on historical experience, management's judgments and other known reasons and recognized as a reduction of operating revenue in the year the related goods were sold. As of December 31, 2021 and 2020, the Company's estimated refund liabilities were \$3,411 thousand and \$3,393 thousand, respectively.

### 15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2.4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2021</b>        | <b>2020</b> |

|   |                  |                  |
|---|------------------|------------------|
| Present value of defined benefit obligation | \$ 95,630        | \$ 86,349        |
| Fair value of plan assets                   | <u>(56,026)</u>  | <u>(50,821)</u>  |
| Deficit                                     | 39,604           | 35,528           |
| Including in other payables                 | <u>(5,732)</u>   | <u>(3,576)</u>   |
| Net defined benefit liabilities             | <u>\$ 33,872</u> | <u>\$ 31,952</u> |

Movements in net defined benefit liabilities were as follow:

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| Balance at January 1, 2020  | <u>\$ 84,980</u>   | <u>\$ (42,979)</u>                       | <u>\$ 42,001</u>                               |
| Service cost  |  |  |  |
| Current service cost  | 293  | -  | 293  |
| Net interest expense (income)   | <u>637</u>   | <u>(349)</u>                             | <u>288</u>                                     |
| Recognized in profit or loss  | <u>930</u>   | <u>(349)</u>                             | <u>581</u>                                     |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (1,384)                                  | (1,384)  |
| Actuarial loss - changes in demographic<br>assumptions                | 426  | -  | 426  |
| Actuarial loss - changes in financial<br>assumptions                  | \$ 2,179   | \$ -                                     | \$ 2,179                                       |
| Actuarial gain - experience adjustments                               | <u>(1,022)</u>   | <u>-</u>                                 | <u>(1,022)</u>                                 |
| Recognized in other comprehensive income                              | <u>1,583</u>   | <u>(1,384)</u>                           | <u>199</u>                                     |
| Contributions from the employer                                       | <u>-</u>   | <u>(7,253)</u>                           | <u>(7,253)</u>                                 |
| Benefits paid   | <u>(1,144)</u>   | <u>1,144</u>                             | <u>-</u>                                       |
| Balance at December 31, 2020  | <u>86,349</u>  | <u>(50,821)</u>                          | <u>35,528</u>                                  |
| Service cost  |  |  |  |
| Current service cost  | 280  | -  | 280  |
| Net interest expense (income)   | <u>432</u>   | <u>(266)</u>                             | <u>166</u>                                     |
| Recognized in profit or loss  | <u>712</u>   | <u>(266)</u>                             | <u>446</u>                                     |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (633)                                    | (633)  |
| Actuarial loss - changes in demographic<br>assumptions                | 2,075  | -  | 2,075  |
| Actuarial loss - experience adjustments                               | <u>7,274</u>   | <u>-</u>                                 | <u>7,274</u>                                   |
| Recognized in other comprehensive income                              | <u>9,349</u>   | <u>(633)</u>                             | <u>8,716</u>                                   |
| Contributions from the employer                                       | <u>-</u>   | <u>(5,086)</u>                           | <u>(5,086)</u>                                 |
| Benefits paid   | <u>(780)</u>   | <u>780</u>                               | <u>-</u>                                       |
|   |  |  | (Concluded)                                    |

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the

following risks:

1) Investment risk

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

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

|                                      | <b>December 31</b> |             |
|--------------------------------------|--------------------|-------------|
|                                      | <b>2021</b>        | <b>2020</b> |
| Discount rate (%)                    | 0.50               | 0.50        |
| Expected rate of salary increase (%) | 2.00               | 2.00        |

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

|                                  | <b>December 31</b> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <b>2021</b>        | <b>2020</b>       |
| Discount rate                    |                    |                   |
| 0.25% increase                   | <u>\$ (2,309)</u>  | <u>\$ (2,182)</u> |
| 0.25% decrease                   | <u>\$ 2,392</u>    | <u>\$ 2,264</u>   |
| Expected rate of salary increase |                    |                   |
| 0.25% increase                   | <u>\$ 2,316</u>    | <u>\$ 2,191</u>   |
| 0.25% decrease                   | <u>\$ (2,247)</u>  | <u>\$ (2,124)</u> |

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

|  | <b>December 31</b> |                 |
|--|--------------------|-----------------|
|  | <b>2021</b>        | <b>2020</b>     |
| Expected contributions to the plan for the next year | <u>\$ 7,279</u>    | <u>\$ 5,023</u> |
| Average duration of the defined benefit obligation   | 9.7 years          | 10.2 years      |



## 16. EQUITY

### a. Ordinary shares

|   | December 31         |                     |
|---|---------------------|---------------------|
|   | 2021                | 2020                |
| Number of shares authorized (in thousands)            | <u>138,000</u>      | <u>138,000</u>      |
| Shares authorized                                     | <u>\$ 1,380,000</u> | <u>\$ 1,380,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>95,297</u>       | <u>95,297</u>       |
| Shares issued   | <u>\$ 952,971</u>   | <u>\$ 952,971</u>   |

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

### b. Capital surplus

|  | December 31       |                   |
|--|-------------------|-------------------|
|  | 2021              | 2020              |
| Arising from issuance of ordinary shares | \$ 794,341        | \$ 794,341        |
| Arising from treasury share transactions | <u>2,350</u>      | <u>2,350</u>      |
|  | <u>\$ 796,691</u> | <u>\$ 796,691</u> |

The above-mentioned capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

### c. Retained earnings and dividend policy

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

The Company's dividend policy is in line with the current and future development plans, environment, capital needs and domestic and international competition in order to promote shareholders' interests. Thus, the Company may retain some of its earnings according to the Company's operation, and the residual earnings may be distributed in cash or shares. However, cash dividends should be at least 10% of the total dividends distributed.

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

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meeting on July 30, 2021 and June 30, 2020, respectively. The appropriations of earnings for 2020 and 2019 were as follows:

|                 | <b>Appropriation of Earnings</b> |                   | <b>Dividends Per Share (NT\$)</b> |               |
|-----------------|----------------------------------|-------------------|-----------------------------------|---------------|
|                 | <b>2020</b>                      | <b>2019</b>       | <b>2020</b>                       | <b>2019</b>   |
| Legal reserve   | \$ 116,443                       | \$ 155,825        |                                   |               |
| Special reserve | 1,549                            | 1,449             |                                   |               |
| Cash dividends  | <u>583,218</u>                   | <u>762,377</u>    | <u>\$ 6.1</u>                     | <u>\$ 8.0</u> |
|                 | <u>\$ 701,210</u>                | <u>\$ 919,651</u> |                                   |               |

The appropriation of earnings for 2021 had been proposed by the Company's board of directors on February 25, 2022. The appropriation and dividends per share were as follows:

|                 | <b>Appropriation<br/>of Earnings</b> | <b>Dividends Per<br/>Share (NT\$)</b> |
|-----------------|--------------------------------------|---------------------------------------|
| Legal reserve   | \$ 206,555                           |                                       |
| Special reserve | 83                                   |                                       |
| Cash dividends  | <u>1,036,832</u>                     | <u>\$10.88</u>                        |
|                 | <u>\$1,243,470</u>                   |                                       |

The appropriation of earnings for 2021 are subject to the resolution in the shareholders' meeting to be held on June 29, 2022.

d. Special reserve

On the first-time adoption of IFRSs, the Company appropriated \$6,221 thousand to the special reserve due to the increase in retained earnings from conversion to IFRSs. Additional special reserve should be appropriated for an amount equal to the difference between net debit balance and special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

## 17. REVENUE

|                                       | <b>For the Year Ended December 31</b> |                     |
|---------------------------------------|---------------------------------------|---------------------|
|                                       | <b>2021</b>                           | <b>2020</b>         |
| Revenue from contracts with customers |                                       |                     |
| Revenue from sale of goods            | \$ 2,461,868                          | \$ 1,827,579        |
| Processing                            | <u>13,797</u>                         | <u>7,550</u>        |
|                                       | <u>\$ 2,475,665</u>                   | <u>\$ 1,835,129</u> |

a. Contract balances

|  | <b>December 31</b> | <b>January 1</b>  |
|--|--------------------|-------------------|
|  | <b>2021</b>        | <b>2020</b>       |
| Notes and accounts receivable (Note 8) | <u>\$ 656,422</u>  | <u>\$ 440,693</u> |
|  |                    | <u>\$ 425,489</u> |

b. Disaggregation of revenue

|               | <b>For the Year Ended December 31</b> |                     |
|---------------|---------------------------------------|---------------------|
|               | <b>2021</b>                           | <b>2020</b>         |
| Type of goods |                                       |                     |
| Rail kits     | \$ 1,789,239                          | \$ 1,351,047        |
| Others        | <u>686,426</u>                        | <u>484,082</u>      |
|               | <u>\$ 2,475,665</u>                   | <u>\$ 1,835,129</u> |

## 18. NET PROFIT

### a. Other gains and losses

|                              | <b>For the Year Ended December 31</b> |                     |
|------------------------------|---------------------------------------|---------------------|
|                              | <b>2021</b>                           | <b>2020</b>         |
| Foreign exchange losses, net | \$ (33,693)                           | \$ (122,458)        |
| Sample income                | 3,619                                 | 2,034               |
| Mold income                  | 976                                   | 1,129               |
| Others                       | <u>8,378</u>                          | <u>4,175</u>        |
|                              | <u>\$ (20,720)</u>                    | <u>\$ (115,120)</u> |

### b. Gains or losses on foreign currency exchange

|                              | <b>For the Year Ended December 31</b> |                     |
|------------------------------|---------------------------------------|---------------------|
|                              | <b>2021</b>                           | <b>2020</b>         |
| Foreign exchange gains       | \$ 78,495                             | \$ 51,497           |
| Foreign exchange losses      | <u>(112,188)</u>                      | <u>(173,955)</u>    |
| Foreign exchange losses, net | <u>\$ (33,693)</u>                    | <u>\$ (122,458)</u> |

### c. Depreciation and amortization

|                                      | <b>For the Year Ended December 31</b> |                  |
|--------------------------------------|---------------------------------------|------------------|
|                                      | <b>2021</b>                           | <b>2020</b>      |
| Property, plant and equipment        | \$ 38,101                             | \$ 35,333        |
| Intangible assets                    | <u>1,421</u>                          | <u>1,288</u>     |
|                                      | <u>\$ 39,522</u>                      | <u>\$ 36,621</u> |
| Analysis of depreciation by function |                                       |                  |
| Operating costs                      | \$ 35,615                             | \$ 32,692        |
| Operating expenses                   | <u>2,486</u>                          | <u>2,641</u>     |
|                                      | <u>\$ 38,101</u>                      | <u>\$ 35,333</u> |
| Analysis of amortization by function |                                       |                  |
| Operating expenses                   | <u>\$ 1,421</u>                       | <u>\$ 1,288</u>  |

d. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2021</b>                           | <b>2020</b>       |
| Post-employment benefits (Note 15)                   |                                       |                   |
| Defined contribution plans                           | \$ 12,424                             | \$ 10,681         |
| Defined benefit plans                                | <u>446</u>                            | <u>581</u>        |
|  | 12,870                                | 11,262            |
| Short-term employee benefits                         | <u>499,541</u>                        | <u>375,085</u>    |
|  | <u>\$ 512,411</u>                     | <u>\$ 386,347</u> |
| An analysis of employee benefits expense by function |                                       |                   |
| Operating costs                                      | \$ 328,514                            | \$ 237,825        |
| Operating expenses                                   | <u>183,897</u>                        | <u>148,522</u>    |
|  | <u>\$ 512,411</u>                     | <u>\$ 386,347</u> |

e. Compensation of employees and compensation of directors and supervisors

The Company accrues compensation of employees and compensation of directors and supervisors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and compensation of directors and supervisors. The compensation of employees and compensation of directors and supervisors for the years ended December 31, 2021 and 2020, which have been approved by the Company's board of directors on February 25, 2022 and February 26, 2021, respectively, were as follows:

|   | <b>For the Year Ended December 31</b> |          |             |          |
|---|---------------------------------------|----------|-------------|----------|
|   | <b>2021</b>                           |          | <b>2020</b> |          |
|   | <b>Cash</b>                           | <b>%</b> | <b>Cash</b> | <b>%</b> |
| Compensation of employees                 | \$ 85,849                             | 3.8      | \$ 47,489   | 3.6      |
| Compensation of directors and supervisors | 6,500                                 | 0.3      | 6,500       | 0.5      |

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

There is no difference between the actual amounts of compensation of employees and compensation of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and compensation of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 19. INCOME TAX

a. The major components of income tax expense recognized in profit or loss are as follows:

|                                | <b>For the Year Ended December 31</b> |             |
|--------------------------------|---------------------------------------|-------------|
|                                | <b>2021</b>                           | <b>2020</b> |
| Current tax                    |                                       |             |
| In respect of the current year | \$ 80,736                             | \$ 66,414   |

|                                       | <b>For the Year Ended December 31</b> |                  |
|---------------------------------------|---------------------------------------|------------------|
|                                       | <b>2021</b>                           | <b>2020</b>      |
| Income tax on unappropriated earnings | 22,730                                | 30,374           |
| Adjustments for prior years           | <u>(8,287)</u>                        | <u>(1,681)</u>   |
|                                       | <u>95,179</u>                         | <u>95,107</u>    |
| Deferred tax                          |                                       |                  |
| In respect of the current year        | 8,183                                 | (9,630)          |
| Adjustments for prior years           | <u>-</u>                              | <u>827</u>       |
|                                       | <u>8,183</u>                          | <u>(8,803)</u>   |
|                                       | <u>\$ 103,362</u>                     | <u>\$ 86,304</u> |

A reconciliation of accounting profit and income tax expense is as follows:

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2021</b>                           | <b>2020</b>         |
| Profit before income tax                                  | <u>\$ 2,175,882</u>                   | <u>\$ 1,250,893</u> |
| Income tax expense calculated at the statutory rate (20%) | \$ 435,176                            | \$ 250,179          |
| Domestic investment income using equity method            | (346,257)                             | (193,255)           |
| Investment credits  | -                                     | (140)               |
| Income tax on unappropriated earnings                     | 22,730                                | 30,374              |
| Adjustments for prior years                               | <u>(8,287)</u>                        | <u>(854)</u>        |
|   | <u>\$ 103,362</u>                     | <u>\$ 86,304</u>    |

b. Income tax benefit recognized in other comprehensive income

|  | <b>For the Year Ended December 31</b> |               |
|--|---------------------------------------|---------------|
|  | <b>2021</b>                           | <b>2020</b>   |
| Deferred tax                           |                                       |               |
| In respect of the current year         |                                       |               |
| Remeasurement of defined benefit plans | \$ 1,743                              | \$ 40         |
| Translation of foreign operations      | <u>21</u>                             | <u>388</u>    |
|  | <u>\$ 1,764</u>                       | <u>\$ 428</u> |

c. Current tax liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2021</b>        | <b>2020</b>      |
| Current tax liabilities |                    |                  |
| Income tax payable      | <u>\$ 103,129</u>  | <u>\$ 94,573</u> |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities are as follows:

For the year ended December 31, 2021

|  | Balance,<br>Beginning of<br>Year | Recognized in<br>Profit or Loss | Recognized in<br>Other<br>Comprehensive<br>Income | Balance, End<br>of Year |
|--|----------------------------------|---------------------------------|---|-------------------------|
| <hr/> Deferred Tax Assets <hr/>        |                                  |                                 |   |                         |
| Temporary differences                  |                                  |                                 |   |                         |
| Share of profit using equity<br>method | \$ 12,234                        | \$ (2,369)                      | \$ 21   | \$ 9,886                |
| Unrealized exchange losses             | 22,434                           | (5,750)                         | -   | 16,684                  |
| Defined benefit liabilities            | 7,106                            | (928)                           | 1,743   | 7,921                   |
| Others                                 | <u>3,722</u>                     | <u>864</u>                      | <u>-</u>  | <u>4,586</u>            |
|  | <u>\$ 45,496</u>                 | <u>\$ (8,183)</u>               | <u>\$ 1,764</u>                                   | <u>\$ 39,077</u>        |
| <hr/> Deferred Tax liabilities <hr/>   |                                  |                                 |   |                         |
| Temporary differences                  |                                  |                                 |   |                         |
| Land value increment tax               | <u>\$ 47,090</u>                 | <u>\$ -</u>                     | <u>\$ -</u>                                       | <u>\$ 47,090</u>        |

For the year ended December 31, 2020

|   | Balance,<br>Beginning of<br>Year | Recognized in<br>Profit or Loss | Recognized in<br>Other<br>Comprehensive<br>Income | Balance, End<br>of Year |
|---|----------------------------------|---------------------------------|---|-------------------------|
| <hr/> Deferred Tax Assets <hr/>   |                                  |                                 |   |                         |
| Temporary differences   |                                  |                                 |   |                         |
| Share of profit using equity<br>method  | \$ 10,389                        | \$ (460)                        | \$ 2,305  | \$ 12,234               |
| Unrealized exchange losses  | 10,946                           | 11,488                          | -   | 22,434                  |
| Defined benefit liabilities   | 11,697                           | (4,631)                         | 40  | 7,106                   |
| Others  | <u>4,574</u>                     | <u>(852)</u>                    | <u>-</u>  | <u>3,722</u>            |
|   | <u>\$ 37,606</u>                 | <u>\$ 5,545</u>                 | <u>\$ 2,345</u>                                   | <u>\$ 45,496</u>        |
| <hr/> Deferred Tax liabilities <hr/>  |                                  |                                 |   |                         |
| Temporary differences   |                                  |                                 |   |                         |
| Land value increment tax  | \$ 47,090                        | \$ -                            | \$ -  | \$ 47,090               |
| Defined benefit liabilities   | 3,261                            | (3,261)                         | -   | -                       |
| Exchange differences on<br>translating the financial<br>statements of foreign<br>operations | <u>(1,920)</u>                   | <u>3</u>                        | <u>1,917</u>                                      | <u>-</u>                |
|   | <u>\$ 48,431</u>                 | <u>\$ (3,258)</u>               | <u>\$ 1,917</u>                                   | <u>\$ 47,090</u>        |

e. Income tax assessments

The tax returns of the Company through 2019 have been assessed by the tax authority.

## 20. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

Net profit for the year

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2021</b>                           | <b>2020</b>         |
| Net profit used in the computation of earnings per share         |                                       |                     |
| Effect of potentially dilutive ordinary shares                   | \$ 2,072,520                          | \$ 1,164,589        |
| Compensation of employees  | <u>(15,063)</u>                       | <u>(5,513)</u>      |
| Net profit used in the computation of diluted earnings per share | <u>\$ 2,057,457</u>                   | <u>\$ 1,159,076</u> |

Weighted average number of ordinary shares outstanding

|  | <b>For the Year Ended December 31</b> |               |
|--|---------------------------------------|---------------|
|  | <b>2021</b>                           | <b>2020</b>   |
| Weighted average number of ordinary shares used in the computation of basic earnings per share   | 95,297                                | 95,297        |
| Effect of diluted potential ordinary shares  |                                       |               |
| Employees' compensation  | <u>189</u>                            | <u>187</u>    |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>95,486</u>                         | <u>95,484</u> |

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

## 21. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the last 2 years.

The Company is not subject to any externally imposed capital requirements.

## 22. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The Company management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

### b. Categories of financial instruments

|                                     | <b>December 31</b> |              |
|-------------------------------------|--------------------|--------------|
|                                     | <b>2021</b>        | <b>2020</b>  |
| <u>Financial assets</u>             |                    |              |
| Measured at amortized cost (Note 1) | \$ 3,480,485       | \$ 2,936,018 |

## Financial liabilities

|                                     |         |         |
|-------------------------------------|---------|---------|
| Measured at amortized cost (Note 2) | 550,205 | 431,212 |
|-------------------------------------|---------|---------|

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties), and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise notes payable (including related parties), accounts payable (including related parties), other payables (including related parties) and guarantee deposits (included in other current liability).

### c. Financial risk management objectives and policies

The Company's treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through analyzing exposures to risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The treasury function reports quarterly to the Company's management.

#### 1) Market risk

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

##### a) Foreign currency risk

The Company has foreign currency sales and purchases, which exposes the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting year are set out in Note 25.

#### Sensitivity analysis

The Company was mainly exposed to the risk from the fluctuation of USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency rate against the USD. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

|                | <b>For the Year Ended December 31</b> |             |
|----------------|---------------------------------------|-------------|
|                | <b>2021</b>                           | <b>2020</b> |
| Profit or loss | \$ 24,393                             | \$ 20,313   |

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Items of sensitivity analysis included outstanding deposits, receivables and payables.



b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting year are as follows:

|                               | <b>December 31</b> |              |
|-------------------------------|--------------------|--------------|
|                               | <b>2021</b>        | <b>2020</b>  |
| Fair value interest rate risk |                    |              |
| Financial assets              | \$ 2,437,151       | \$ 2,015,942 |
| Cash flow interest rate risk  |                    |              |
| Financial assets              | 373,632            | 475,863      |

Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year. 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have been higher/lower by \$3,736 thousand and by \$4,759 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which would cause a financial loss to the Company could be the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company is continuously monitoring and spreading the aggregate transactions to each credit-qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings.

Because the Company's current assets or cash and cash equivalents are much more than current liabilities, the Company has no liquidity risk.

## 23. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

| <b>Related Party Name</b>                      | <b>Related Party Category</b> |
|--|-------------------------------|
| King Slide Technology Co., Ltd. (KSTC)         | Subsidiary                    |
| King Slide USA, Inc. (KSUSA)                   | Subsidiary                    |
| King Slide Technology (China) Co., Ltd. (KSCC) | Subsidiary                    |

b. Sales of goods

| <b>Related Party Name</b> | <b>For the Year Ended December 31</b> |                   |
|---------------------------|---------------------------------------|-------------------|
|                           | <b>2021</b>                           | <b>2020</b>       |
| KSTC                      | \$ 450,283                            | \$ 290,460        |
| KSCC                      | 60,730                                | 36,501            |
| KSUSA                     | <u>-</u>                              | <u>65</u>         |
|                           | <u>\$ 511,013</u>                     | <u>\$ 327,026</u> |

The sales of goods to KSTC were at cost. However, the sales of goods to KSCC, KSUSA and general customers were at cost plus gross profit. The term of collection was the same as those of unrelated parties with a 90-day term of collection.

c. Purchases of goods

| <b>Related Party Name</b> | <b>For the Year Ended December 31</b> |                   |
|---------------------------|---------------------------------------|-------------------|
|                           | <b>2021</b>                           | <b>2020</b>       |
| KSTC                      | \$ 169,537                            | \$ 79,442         |
| KSCC                      | <u>60,348</u>                         | <u>48,632</u>     |
|                           | <u>\$ 229,885</u>                     | <u>\$ 128,074</u> |

The purchase price of KSTC was based on cost (general customers of KSTC were priced at cost plus gross profit), and the purchase price of KSCC was at cost plus gross profit. The payment term was the same as those of unrelated parties with a 90-day term.

d. Receivables from related parties

| <b>Related Party Name</b> | <b>December 31</b> |                  |
|---------------------------|--------------------|------------------|
|                           | <b>2021</b>        | <b>2020</b>      |
| Notes receivable          |                    |                  |
| KSTC                      | <u>\$ 140,150</u>  | <u>\$ 79,445</u> |
| Accounts receivable       |                    |                  |
| KSTC                      | \$ 55,259          | \$ 34,726        |
| KSCC                      | <u>21,347</u>      | <u>13,381</u>    |
|                           | <u>\$ 76,606</u>   | <u>\$ 48,107</u> |
| Other receivables         |                    |                  |
| KSTC                      | <u>\$ 3,301</u>    | <u>\$ 1,077</u>  |

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

| Related Party Name | December 31      |                  |
|--------------------|------------------|------------------|
|                    | 2021             | 2020             |
| Notes payable      |                  |                  |
| KSTC               | <u>\$ 42,588</u> | <u>\$ 22,518</u> |
| Accounts payable   |                  |                  |
| KSTC               | \$ 17,755        | \$ 11,552        |
| KSCC               | <u>6,796</u>     | <u>8,941</u>     |
|                    | <u>\$ 24,551</u> | <u>\$ 20,493</u> |
| Other payables     |                  |                  |
| KSTC               | \$ -             | \$ 235           |
| KSUSA              | <u>-</u>         | <u>25</u>        |
|                    | <u>\$ -</u>      | <u>\$ 260</u>    |

The outstanding payables to related parties were unsecured.

f. Processing revenue

| Related Party Name | For the Year Ended December 31 |                 |
|--------------------|--------------------------------|-----------------|
|                    | 2021                           | 2020            |
| KSTC               | <u>\$ 13,797</u>               | <u>\$ 7,550</u> |

Processing revenue was based on cost prices, and the collection term is 90 days.

g. Technical and service revenue

The Company entered into a service contract with the subsidiary, KSTC. The service revenue was based on the ratio of net sales of the specific products from KSTC. The service revenue were \$2,951 thousand and \$2,186 thousand (included in other gains and losses) for the years ended December 31, 2021 and 2020, respectively.

h. Commission

Marketing support and post-sales services were provided by KSUSA to the Company, and the commission expense based on the ratio of the sales amount of the specific customers were \$104 thousand and \$131 thousand (included in selling and marketing expenses) for the years ended December 31, 2021 and 2020, respectively.

The terms of the commission and payment were the same as unrelated parties.

i. Manpower services

The manpower services provided by the Company to KSTC were recognized as revenue amounting to \$3,732 thousand and \$3,435 thousand (included in the deduction of manufacturing expenses) for the years ended December 31, 2021 and 2020, respectively. In addition, the Company recognized cost amounting to \$139 thousand and \$12 thousand (included in the manufacturing expenses) in 2021 and 2020, respectively. The charges were based on the actual manpower and number of hours provided.

j. Other expenses

The Company paid service expenses to KSUSA amounting to \$845 thousand (included in selling and marketing expenses), which were based on the actual cost of services provided for the year ended December 31, 2020.

k. Compensation of key management personnel

|                          | <b>For the Year Ended December 31</b> |                         |
|--------------------------|---------------------------------------|-------------------------|
|                          | <b>2021</b>                           | <b>2020</b>             |
| Short-term benefits      | \$ 22,489                             | \$ 17,796               |
| Post-employment benefits | <u>124</u>                            | <u>135</u>              |
|                          | <u><b>\$ 22,613</b></u>               | <u><b>\$ 17,931</b></u> |

The compensation of directors and other key management personnel is determined by the compensation committee based on the performance of individuals and market trends.

## 24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2021</b>        | <b>2020</b> |
| a. Unused letters of credit for purchases of raw materials and machinery and equipment | \$ 75,926          | \$ 124,993  |
| b. Unrecognized commitments of acquisition of property, plant and equipment            | 87,945             | 5,624       |
| c. Contracts for purchases of raw materials  |                    |             |
| Total amount   | 38,050             | 97,894      |
| Issued promissory notes  | 20,200             | 20,200      |

## 25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

|                          | <b>Foreign Currencies<br/>(In Thousand)</b> | <b>Exchange Rate (NT\$)</b> | <b>Carrying Amount</b> |
|--------------------------|---|-----------------------------|------------------------|
| <b>December 31, 2021</b> |   |                             |                        |
| Financial assets         |   |                             |                        |
| Monetary items           |   |                             |                        |
| USD                      | \$ 88,420                                   | 27.678 (USD:NTD)            | \$ 2,447,277           |
| Financial liabilities    |   |                             |                        |
| Monetary items           |   |                             |                        |
| USD                      | 288   | 27.678 (USD:NTD)            | 7,961                  |
| <b>December 31, 2020</b> |   |                             |                        |

|                       |        |        |           |           |
|-----------------------|--------|--------|-----------|-----------|
| Financial assets      |        |        |           |           |
| Monetary items        |        |        |           |           |
| USD                   | 71,729 | 28.372 | (USD:NTD) | 2,035,092 |
| Financial liabilities |        |        |           |           |
| Monetary items        |        |        |           |           |
| USD                   | 135    | 28.372 | (USD:NTD) | 3,830     |

The Company is mainly exposed to US dollar. Net foreign exchange losses were \$33,693 thousand and \$122,458 thousand for the years ended December 31, 2021 and 2020, respectively.

## 26. ADDITIONAL DISCLOSURES

### a. Information about significant transactions and investees

- 1) Financing provided to others: None.
- 2) Endorsement and guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): None.
- 4) Marketable securities acquired or disposed at cost of or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 1.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2.
- 9) Trading in derivative instruments: None.

### b. Information on investees: Table 3.

### c. Information on investments in mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China: Table 4.

Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Note 23.

- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Note 23.
  - 3) The amount of property transactions and the amount of gains or losses generated: None.
  - 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and purposes: None.
  - 5) The highest balance, the ending balance, the interest rate range, and total current year interest with respect to financing of funds: None.
  - 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 5.

## **27. SEGMENT INFORMATION**

The Company has provided the operating segments disclosure in the consolidated financial statements, and the segment information is waived.

**TABLE 1**

**KING SLIDE WORKS CO., LTD.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

[illegible]

Note: The sales price was based on cost.

**TABLE 2**

**KING SLIDE WORKS CO., LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party                   | Relationship | Ending Balance    | Turnover Rate (%) | Overdue |               | Amounts Received in Subsequent Year | Allowance for Impairment Loss | Note   |
|--------------|---------------------------------|--------------|-------------------|-------------------|---------|---------------|-------------------------------------|-------------------------------|--------|
|              |                                 |              |                   |                   | Amount  | Actions Taken |                                     |                               |        |
| The Company  | King Slide Technology Co., Ltd. | Subsidiary   | \$ 195,409        | 3.01              | \$ -    | -             | \$ 93,201                           | -                             | Note 1 |
|              |                                 |              | <u>3,301</u>      |                   | -       | -             | <u>-</u>                            | -                             | Note 2 |
|              |                                 |              | <u>\$ 198,710</u> |                   |         |               | <u>\$ 93,201</u>                    |                               |        |

Note 1: The computation of turnover rate did not include the non-operating receivables which were not from sales of goods.

Note 2: The ending balance was other receivables.



**TABLE 3**

**KING SLIDE WORKS CO., LTD.**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

[illegible]

**TABLE 4****KING SLIDE WORKS CO., LTD.****INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

| Investee Company                           | Main Businesses and Products   | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 | Net Income (Loss) of the Investee (Note 4) | % of Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 4) | Carrying Amount as of December 31, 2020 (Note 4) | Accumulated Repatriation of Investment Income as of December 31, 2021 | Note |
|--|--|-----------------|----------------------|---|---------------------|--------|---|--|---|---------------------------------|--|---|------|
|  |  |                 |                      |   | Outward             | Inward |   |  |   |                                 |  |   |      |
| King Slide Technology (China) Co., Ltd.    | Wholesale and provide related services for rail kits, slides and accessories   | \$ 157,282      | Note 1               | \$ 157,282  | \$ -                | \$ -   | \$ 157,282  | \$ 8,990                                   | 100.00  | \$ 8,990                        | \$ 128,197                                       | \$ -  |      |
| King Slide Technology (Shenzhen) Co., Ltd. | Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies. | 4,306           | Note 2               | -   | -                   | -      | -   | (250)                                      | 100.00  | (250)                           | 3,690  | -   |      |

| Investor Company | Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3) |
|------------------|---|--|--|
| The company      | \$ 157,282  | \$ 157,282   | \$ 7,561,972   |

Note 1: Invested through King Slide (Hong Kong) Co., Limited, a company in Hong Kong.

Note 2: Invested through King Slide Technology (China) Co., Ltd.

Note 3: Upper limit on the amount of investment in mainland China:  $\$12,603,287 \times 60\% = \$7,561,972$ .

Note 4: The amount was recognized based on the financial statements audited by the Company's CPA

**TABLE 5**

**KING SLIDE WORKS CO., LTD.**

## INFORMATION OF MAJOR SHAREHOLDERS DECEMBER 31, 2021

[illegible]

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

King Slide Works Co., Ltd.

Tsung-Chi Lin  
Chairman of the Board