

Ta Yih Industrial Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Ta Yih Industrial Co., Ltd.

By

JUN YI WU
Chairman
March 24, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Ta Yih Industrial Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Ta Yih Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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 Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 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 Group 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, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements for the year ended December 31, 2020 is as follows:

Sales Revenue

The operating revenue of Ta Yih Industrial Co., Ltd. and its subsidiaries mainly comes from the sale of automobile and locomotive lamps. As revenue from a particular customer changed significantly from the previous year, and whether revenue actually occurred is a predetermined risk in accordance with the Statement of Auditing Standards; therefore, the validity of revenue from the particular customer has been identified as a key audit matter. For the accounting policies related to operating revenue, refer to Table 4.

Our main audit procedures performed in respect of the above-mentioned key audit matter are as follows:

1. We understood the internal controls related to revenue recognition and tested the operating effectiveness of the controls.
2. We performed substantive tests on sales revenue, checked the customer's delivery records and other transaction vouchers and bank collection records, and checked whether the counterparty of the sales transactions is the same as the counterparty making payment, in order to determine that the sales transactions actually occurred.

Other Matter

We have also audited the standalone financial statements of Ta Yih Industrial Co., Ltd. as of and for the years ended December 31, 2020 and 2019 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 Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine a matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and is therefore the key audit matter. We describe this matter 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 Chi-Chen Li and Chao-Chin Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 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.

Ta Yih Industrial Co., Ltd. and Subsidiaries
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 108,164	3	\$ 90,914	2
Notes receivable (Notes 4 and 7)	2,116	-	4,969	-
Accounts receivable (Notes 4, 7 and 20)	763,064	21	749,794	21
Accounts receivable from related parties (Notes 4, 7, 20 and 27)	239,878	6	104,896	3
Other receivables (Notes 4 and 7)	2,320	-	3,484	-
Other receivables from related parties (Notes 4, 7 and 27)	19,804	-	31,578	1
Inventories (Notes 4 and 8)	943,021	26	812,523	22
Prepayments (Notes 22 and 27)	105,994	3	361,970	10
Other current assets (Notes 14 and 22)	<u>28,952</u>	<u>1</u>	<u>30,773</u>	<u>1</u>
Total current assets	<u>2,213,313</u>	<u>60</u>	<u>2,190,901</u>	<u>60</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	332,286	9	393,213	11
Property, plant and equipment (Notes 4, 11 and 27)	1,017,826	28	957,283	26
Right-of-use assets (Notes 4 and 12)	8,334	-	19,186	1
Intangible assets (Notes 4, 13 and 27)	18,924	1	-	-
Deferred tax assets (Notes 4 and 22)	43,000	1	36,337	1
Other non-current assets (Notes 4, 14 and 27)	<u>36,093</u>	<u>1</u>	<u>40,136</u>	<u>1</u>
Total non-current assets	<u>1,456,463</u>	<u>40</u>	<u>1,446,155</u>	<u>40</u>
TOTAL	<u>\$ 3,669,776</u>	<u>100</u>	<u>\$ 3,637,056</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 342,400	9	\$ -	-
Contract liabilities - current (Notes 4, 20 and 27)	158,868	4	313,094	9
Notes payable (Note 16)	95,488	3	236,059	6
Notes payable to related parties (Notes 16 and 27)	-	-	1,005	-
Accounts payable (Note 16)	716,314	20	530,730	15
Accounts payable to related parties (Notes 16 and 27)	71,045	2	56,230	2
Other payables (Note 17)	200,217	5	230,588	6
Other payables to related parties (Notes 17 and 27)	69,987	2	66,526	2
Current tax liabilities (Notes 4 and 22)	64,112	2	49,383	1
Lease liabilities - current (Notes 4 and 12)	4,508	-	13,042	-
Other current liabilities (Note 17)	<u>623</u>	<u>-</u>	<u>430</u>	<u>-</u>
Total current liabilities	<u>1,723,562</u>	<u>47</u>	<u>1,497,087</u>	<u>41</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	104,158	3	117,403	4
Lease liabilities - non - current (Notes 4 and 12)	3,905	-	6,333	-
Net defined benefit liabilities (Notes 4 and 18)	75,056	2	111,888	3
Other non-current liabilities (Note 17)	<u>2,766</u>	<u>-</u>	<u>2,728</u>	<u>-</u>
Total non-current liabilities	<u>185,885</u>	<u>5</u>	<u>238,352</u>	<u>7</u>
Total liabilities	<u>1,909,447</u>	<u>52</u>	<u>1,735,439</u>	<u>48</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Ordinary shares	<u>762,300</u>	<u>21</u>	<u>762,300</u>	<u>21</u>
Capital surplus	<u>60,832</u>	<u>2</u>	<u>60,736</u>	<u>1</u>
Retained earnings				
Legal reserve	651,251	17	615,205	17
Special reserve	68,264	2	68,264	2
Unappropriated earnings	<u>255,145</u>	<u>7</u>	<u>436,472</u>	<u>12</u>
Total retained earnings	<u>974,660</u>	<u>26</u>	<u>1,119,941</u>	<u>31</u>
Other equity	<u>(37,463)</u>	<u>(1)</u>	<u>(41,360)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	<u>1,760,329</u>	<u>48</u>	<u>1,901,617</u>	<u>52</u>
TOTAL	<u>\$ 3,669,776</u>	<u>100</u>	<u>\$ 3,637,056</u>	<u>100</u>

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

Ta Yih Industrial Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 4,797,165	100	\$ 5,390,196	100
OPERATING COSTS (Notes 8, 18, 21 and 27)	<u>4,125,419</u>	<u>86</u>	<u>4,423,289</u>	<u>82</u>
GROSS PROFIT	<u>671,746</u>	<u>14</u>	<u>966,907</u>	<u>18</u>
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	(1,327)	-	(3,008)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>3,115</u>	<u>-</u>	<u>3,971</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>673,534</u>	<u>14</u>	<u>967,870</u>	<u>18</u>
OPERATING EXPENSES (Notes 7, 18, 21 and 27)				
Selling and marketing expenses	159,570	3	184,519	4
General and administrative expenses	147,240	3	170,716	3
Research and development expenses	178,836	4	199,992	4
Expected credit loss	<u>1,154</u>	<u>-</u>	<u>665</u>	<u>-</u>
Total operating expenses	<u>486,800</u>	<u>10</u>	<u>555,892</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>186,734</u>	<u>4</u>	<u>411,978</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES (Notes 21 and 27)				
Interest income	173	-	420	-
Other income	104,697	2	76,113	2
Other gains and losses	(45,347)	(1)	(41,676)	(1)
Share of profit or loss of associates	<u>(67,628)</u>	<u>(1)</u>	<u>1,516</u>	<u>-</u>
Total non-operating income and expenses	<u>(8,105)</u>	<u>-</u>	<u>36,373</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	178,629	4	448,351	8
INCOME TAX EXPENSE (Notes 4 and 22)	<u>18,879</u>	<u>1</u>	<u>87,894</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>159,750</u>	<u>3</u>	<u>360,457</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(138)	-	(6,792)	-

(Continued)

Ta Yih Industrial Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>27</u> <u>(111)</u>	<u>-</u> <u>-</u>	<u>1,358</u> <u>(5,434)</u>	<u>-</u> <u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	4,866	-	(15,530)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>(969)</u> <u>3,897</u>	<u>-</u> <u>-</u>	<u>3,062</u> <u>(12,468)</u>	<u>-</u> <u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>3,786</u>	<u>-</u>	<u>(17,902)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 163,536</u>	<u>3</u>	<u>\$ 342,555</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 159,750</u>	<u>3</u>	<u>\$ 360,457</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 163,536</u>	<u>3</u>	<u>\$ 342,555</u>	<u>6</u>
EARNINGS PER SHARE (New Taiwan dollars, Note 23)				
Basic	<u>\$ 2.10</u>		<u>\$ 4.73</u>	
Diluted	<u>\$ 2.09</u>		<u>\$ 4.72</u>	

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

(Concluded)

Ta Yih Industrial Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Share Capital		Retained Earnings				Other Equity	Total Equity
	Number of Shares	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earning	Exchange Differences on Translating Foreign Operations	
BALANCE AT JANUARY 1, 2019	76,230	\$ 762,300	\$ 60,605	\$ 583,285	\$ 68,264	\$ 403,043	\$ (28,892)	\$ 1,848,605
Appropriation of the 2018 earnings (Note 19)								
Legal reserve	-	-	-	31,920	-	(31,920)	-	-
Cash dividends distributed by the Company - NT\$3.8 per share	-	-	-	-	-	(289,674)	-	(289,674)
Unclaimed cash dividends overdue transferred to capital surplus	-	-	131	-	-	-	-	131
Net profit for the year ended December 31, 2019	-	-	-	-	-	360,457	-	360,457
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(5,434)	(12,468)	(17,902)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	355,023	(12,468)	342,555
BALANCE AT DECEMBER 31, 2019	76,230	762,300	60,736	615,205	68,264	436,472	(41,360)	1,901,617
Appropriation of the 2019 earnings (Note 19)								
Legal reserve	-	-	-	36,046	-	(36,046)	-	-
Cash dividends distributed by the Company - NT\$4 per share	-	-	-	-	-	(304,920)	-	(304,920)
Unclaimed cash dividends overdue transferred to capital surplus	-	-	96	-	-	-	-	96
Net profit for the year ended December 31, 2020	-	-	-	-	-	159,750	-	159,750
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(111)	3,897	3,786
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	159,639	3,897	163,536
BALANCE AT DECEMBER 31, 2020	76,230	\$ 762,300	\$ 60,832	\$ 651,251	\$ 68,264	\$ 255,145	\$ (37,463)	\$ 1,760,329

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

Ta Yih Industrial Co., Ltd. and Subsidiaries

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 178,629	\$ 448,351
Adjustments for:		
Depreciation expenses	137,185	131,369
Amortization expenses	11,251	-
Expected credit loss recognized on trade receivables	1,154	665
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(1)
Finance costs	2,776	1,617
Interest income	(173)	(420)
Share of profits of associates	67,628	(1,516)
Loss on disposal of property, plant and equipment, net	125	157
Provision for loss on inventories	5,356	2,744
Unrealized gain on transactions with associates	1,327	3,008
Realized gain on transactions with associates	(3,115)	(3,971)
Net loss on foreign currency exchange	395	13,825
Gain on disposal of right-of-use assets	(2)	(11)
Changes in operating assets and liabilities:		
Notes receivable	3,163	1,354
Accounts receivable	(15,551)	(188,336)
Accounts receivable from related parties	(135,571)	97,812
Other receivables	1,164	709
Other receivables from related parties	12,004	16,627
Inventories	(135,854)	(29,298)
Prepayments	240,905	(138,302)
Other current assets	(6,992)	9,843
Contract liabilities	(154,226)	(9,925)
Notes payable	(140,571)	50,246
Notes payable to related parties	(1,005)	(5,432)
Accounts payable	185,407	46,893
Accounts payable to related parties	14,491	14,608
Other payables	(30,448)	7,024
Other payables to related parties	3,461	(2,211)
Other current liabilities	193	194
Net defined benefit liabilities	(36,970)	(29,925)
Other non-current assets	38	81
Cash generated from operations	206,174	437,779
Interest received	173	420
Interest paid	(2,699)	(1,277)
Income tax paid	(11,240)	(47,688)
Net cash generated from operating activities	192,408	389,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	-	(10,000)
Proceeds from sale of financial assets at fair value through profit or loss	-	10,001
Payments for property, plant and equipment	(181,939)	(111,101)
Increase in refundable deposits	(1,603)	(3,624)
Decrease in refundable deposits	3,303	4,502
Payments for intangible assets	(20,051)	-
		(Continued)

Ta Yih Industrial Co., Ltd. and Subsidiaries

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

	2020	2019
Net cash used in investing activities	<u>(200,290)</u>	<u>(110,222)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,146,454	836,026
Repayments of short-term borrowings	(1,802,772)	(836,026)
Proceeds from short - term bills payable	420,000	-
Repayments from short - term bills payable	(420,000)	-
Proceeds from guarantee deposits received	-	80
Refunds of guarantee deposits received	-	(30)
Repayment of the principal portion of lease liabilities	(13,679)	(12,842)
Cash dividends	(304,920)	(289,674)
Unclaimed cash dividends overdue transferred to capital surplus	<u>96</u>	<u>131</u>
Net cash generated from (used in) financing activities	<u>25,179</u>	<u>(302,335)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(47)</u>	<u>(23)</u>
NET INCREASE (DECREASE) IN CASH	17,250	(23,346)
CASH AT THE BEGINNING OF THE YEAR	<u>90,914</u>	<u>114,260</u>
CASH AT THE END OF THE YEAR	<u>\$ 108,164</u>	<u>\$ 90,914</u>

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

(Concluded)

Ta Yih Industrial Co., Ltd. and Subsidiaries

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

1. GENERAL INFORMATION

Ta Yih Industrial Co., Ltd. (the “Company”) was incorporated in 1964. It was formerly known as Ta Yih Industrial Corp. and changed to its present name in 1976. The Company mainly sells, manufactures and processes automobile parts, motorcycle parts, railway vehicle parts, transportation machineries, industrial plastic parts, as well as invests in related industries.

The Company’s shares have been trading on the Taiwan Stock Exchange since October 1997.

The consolidated financial statements of the Company and its subsidiaries (collectively known as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 24, 2021.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Except for the above impact, as of the date the 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 financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 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. 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.

Refer to Note 9 and Table 3 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 period 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.

For the purposes of presenting the consolidated financial statements, the investments of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the Company) are translated into the New Taiwan dollar using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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 standard cost on the balance sheet date. The difference between actual costs and normal standard costs is allocated in proportion to inventory and operational costs on fiscal year-end, in order to approach the amount of weighted-average cost.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent that interests in the associate are not related to the Group.

h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost. 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.

Except for freehold land which is not depreciated, the 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 period, 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.

i. Intangible assets

1) Intangible assets acquired separately

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.

2) Derecognition of intangible assets

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.

j. Impairment of property, plant and equipment, right-of-use assets, intangible assets and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered any 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.

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

cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, accounts receivable at amortized cost (including related parties), notes receivable (including related parties), other receivables (including related parties), and refundable deposits (classified under other non-current assets), 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 such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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 a 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 365 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

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

1. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of car lamps and molds. Sales of goods are recognized as revenue and accounts receivable 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.

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

2) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Group and that the amount of revenue can be measured reliably. Royalty arrangements that are based on sales are recognized with reference to the underlying arrangement.

m. Leases

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

The Group as 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 comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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 related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

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, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) 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 retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the 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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH

	December 31	
	2020	2019
Cash on hand	\$ 756	\$ 943
Checking accounts and demand deposits	<u>107,408</u>	<u>89,971</u>
	<u>\$ 108,164</u>	<u>\$ 90,914</u>

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES), AND OTHER RECEIVABLES (INCLUDING RELATED PARTIES)

	December 31	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount - operating	\$ 2,207	\$ 5,370
Less: Allowance for impairment loss	<u>91</u>	<u>401</u>
	<u>\$ 2,116</u>	<u>\$ 4,969</u>

(Continued)

	December 31	
	2020	2019
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 768,841	\$ 754,641
Less: Allowance for impairment loss	<u>5,777</u>	<u>4,847</u>
	<u>\$ 763,064</u>	<u>\$ 749,794</u>
<u>Accounts receivable from related parties</u>		
At amortized cost		
Gross carrying amount	\$ 240,122	\$ 104,997
Less: Allowance for impairment loss	<u>244</u>	<u>101</u>
	<u>\$ 239,878</u>	<u>\$ 104,896</u>
<u>Other receivables</u>		
Tariff refund receivables	\$ 241	\$ 712
Others	<u>2,079</u>	<u>2,772</u>
	<u>\$ 2,320</u>	<u>\$ 3,484</u>
<u>Other receivables from related party</u>		
Royalty receivables	\$ 19,803	\$ 31,171
Others	<u>1</u>	<u>407</u>
	<u>\$ 19,804</u>	<u>\$ 31,578</u>
		(Concluded)

The average credit period of sales of goods was 60 to 90 days. No interest was charged on accounts receivable.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default records 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.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix:

December 31, 2020

	No indication of default of debtor				Total
	Not Past Due	Up to 60 Days	61 to 90 Days	Individual identification	
Expected credit loss rate	0%~0.08%	0.08%~0.1%	0.1%~0.91%	13%	
Gross carrying amount	\$ 956,157	\$ 20,923	\$ 42	\$ 34,048	\$ 1,011,170
Loss allowance (Lifetime ECL)	(1,590)	(17)	-	(4,505)	(6,112)
Amortized cost	<u>\$ 954,567</u>	<u>\$ 20,906</u>	<u>\$ 42</u>	<u>\$ 29,543</u>	<u>\$ 1,005,058</u>

December 31, 2019

	No indication of default of debtor					The debtor has defaulted	Total
	Not Past Due	Up to 60 Days	61 to 90 Days	91 to 365 Days	Over 365 Days		
Expected credit loss rate	0%~0.97%	0.97%~1.1%	1.1%~7.47%	7.47%~50%	50%~100%	100%	
Gross carrying amount	\$ 817,832	\$ 41,511	\$ 1,090	\$ 532	\$ 3,652	\$ 391	\$ 865,008
Loss allowance (Lifetime ECL)	(2,500)	(454)	(81)	(98)	(1,825)	(391)	(5,349)
Amortized cost	<u>\$ 815,332</u>	<u>\$ 41,057</u>	<u>\$ 1,009</u>	<u>\$ 434</u>	<u>\$ 1,827</u>	<u>\$ -</u>	<u>\$ 859,659</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 5,349	\$ 4,684
Add: Net remeasurement of loss allowance	1,154	665
Less: Amounts written off	<u>(391)</u>	<u>-</u>
Balance at December 31	<u>\$ 6,112</u>	<u>\$ 5,349</u>

8. INVENTORIES

	December 31	
	2020	2019
Merchandise	\$ 161,926	\$ 95,944
Finished goods	405,847	323,265
Work in progress	105,649	211,500
Raw materials	<u>269,599</u>	<u>181,814</u>
	<u>\$ 943,021</u>	<u>\$ 812,523</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 4,120,063	\$ 4,420,545
Inventory write-downs	<u>5,356</u>	<u>2,744</u>
	<u>\$ 4,125,419</u>	<u>\$ 4,423,289</u>

9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2020	2019
The Company	Ta Yih International Investment Co., Ltd. (BVI)	Investment	100	100

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Material associates		
Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd.	\$ 332,286	\$ 393,213

As of December 31, 2020 and 2019, the Company's percentages of ownership and voting rights in Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd. were both 49%

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd.

	December 31	
	2020	2019
Current assets	\$ 1,802,684	\$ 2,203,533
Non-current assets	1,192,665	1,201,867
Current liabilities	(2,307,429)	(2,589,490)
Equity	\$ 687,920	\$ 815,910
Proportion of the Group's ownership	49%	49%
Equity attributable to the Group	\$ 337,080	\$ 399,795
Unrealized gain or loss with associates	(4,794)	(6,582)
Carrying amount	\$ 332,286	\$ 393,213
	For the Year Ended December 31	
	2020	2019
Operating revenue	\$ 1,871,311	\$ 2,708,164
Net profit for the year	\$ (138,013)	\$ 3,095
Total comprehensive income for the year	\$ (138,013)	\$ 3,095

Refer to Table 4 "Information on Investments in Mainland China" for the nature of activities, principal places of business and countries of incorporation of the associates.

The investments in associates 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, 2020 and 2019 were

based on the associates' financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Molding Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 601,050	\$ 256,501	\$ 1,039,152	\$ 304,435	\$ 22,097	\$ 408,947	\$ 2,632,182
Additions	-	4,150	45,147	27,244	949	31,802	109,292
Disposals	-	(4,666)	(33,255)	(284,522)	(5,743)	(158,537)	(486,723)
Balance at December 31, 2019	<u>\$ 601,050</u>	<u>\$ 255,985</u>	<u>\$ 1,051,044</u>	<u>\$ 47,157</u>	<u>\$ 17,303</u>	<u>\$ 282,212</u>	<u>\$ 2,254,751</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 209,527	\$ 810,384	\$ 288,128	\$ 14,869	\$ 342,459	\$ 1,665,367
Depreciation expenses	-	8,816	57,617	17,650	2,338	32,246	118,667
Disposals	-	(4,663)	(33,132)	(284,522)	(5,743)	(158,506)	(486,566)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 213,680</u>	<u>\$ 834,869</u>	<u>\$ 21,256</u>	<u>\$ 11,464</u>	<u>\$ 216,199</u>	<u>\$ 1,297,468</u>
Carrying amount at December 31, 2019	<u>\$ 601,050</u>	<u>\$ 42,305</u>	<u>\$ 216,175</u>	<u>\$ 25,901</u>	<u>\$ 5,839</u>	<u>\$ 66,013</u>	<u>\$ 957,283</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 601,050	\$ 255,985	\$ 1,051,044	\$ 47,157	\$ 17,303	\$ 282,212	\$ 2,254,751
Additions	-	2,530	51,577	106,375	280	23,520	184,282
Disposals	-	-	(11,611)	(22,029)	-	(8,574)	(42,214)
Balance at December 31, 2020	<u>\$ 601,050</u>	<u>\$ 258,515</u>	<u>\$ 1,091,010</u>	<u>\$ 131,503</u>	<u>\$ 17,583</u>	<u>\$ 297,158</u>	<u>\$ 2,396,819</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 213,680	\$ 834,869	\$ 21,256	\$ 11,464	\$ 216,199	\$ 1,297,468
Depreciation expenses	-	8,803	56,607	26,780	2,129	29,295	123,614
Disposals	-	-	(11,487)	(22,029)	-	(8,573)	(42,089)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 222,483</u>	<u>\$ 879,989</u>	<u>\$ 26,007</u>	<u>\$ 13,593</u>	<u>\$ 236,921</u>	<u>\$ 1,378,993</u>
Carrying amount at December 31, 2020	<u>\$ 601,050</u>	<u>\$ 36,032</u>	<u>\$ 211,021</u>	<u>\$ 105,496</u>	<u>\$ 3,990</u>	<u>\$ 60,237</u>	<u>\$ 1,017,826</u>

All property, plant and equipment are used by the Group.

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

Buildings	
Main buildings	40 - 60 years
Factory and other buildings	5 - 40 years
Machinery equipment	3 - 12 years
Molding equipment	2 - 3 years
Transportation equipment	5 years
Other equipment	3 - 8 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Buildings	\$ -	\$ 5,745
Office equipment	2,090	2,612
Transportation equipment	<u>6,244</u>	<u>10,829</u>
	<u>\$ 8,334</u>	<u>\$ 19,186</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 2,775</u>	<u>\$ 8,570</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 5,745	\$ 5,745
Office equipment	522	523
Transportation equipment	<u>7,304</u>	<u>6,434</u>
	<u>\$ 13,571</u>	<u>\$ 12,702</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	<u>\$ 4,508</u>	<u>\$ 13,042</u>
Non-current	<u>\$ 3,905</u>	<u>\$ 6,333</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	-	1.44%
Office equipment	1.44%	1.44%
Transportation equipment	1.25% - 1.45%	1.44% - 1.45%

c. Material leasing activities and terms

The Group leases certain company cars and office equipment with lease terms of 2 to 5 years. These arrangements do not contain renewal or purchase options.

The Group also leases land and buildings for the use of plants with lease terms of 2 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 2,409	\$ 5,186
Expenses relating to low-value asset leases	\$ 148	\$ 254
Total cash outflow for leases	\$ (16,455)	\$ (18,396)

The Group's leases of certain machinery qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	Computer Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ -	\$ -	\$ -
Additions	19,551	500	20,051
Reclassification	<u>9,839</u>	<u>285</u>	<u>10,124</u>
Balance at December 31, 2020	<u>\$ 29,390</u>	<u>\$ 785</u>	<u>\$ 30,175</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ -	\$ -	\$ -
Amortization expense	<u>10,866</u>	<u>385</u>	<u>11,251</u>
Balance at December 31, 2020	<u>\$ 10,866</u>	<u>\$ 385</u>	<u>\$ 11,251</u>
Carrying amount at December 31, 2020	<u>\$ 18,524</u>	<u>\$ 400</u>	<u>\$ 18,924</u>

The above other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2 - 3 years
Patents	5 - 7 years

14. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Input tax	\$ 28,846	\$ 21,604
Tax refund receivable	-	8,813
Payment on behalf of others	<u>106</u>	<u>356</u>
	<u>\$ 28,952</u>	<u>\$ 30,773</u>
<u>Non-current</u>		
Refundable deposits	\$ 14,301	\$ 16,001
Prepayments for property, plant, and equipment	<u>21,792</u>	<u>24,135</u>
	<u>\$ 36,093</u>	<u>\$ 40,136</u>

15. SHORT-TERM BORROWINGS

Borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Bank unsecured loans	<u>\$ 342,400</u>	<u>\$ -</u>

The range of interest rates on bank loans was 0.75%-1.11% per annum at December 31, 2020.

16. NOTES PAYABLE AND ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Both notes payable and accounts payable were generated from operating activities. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 134,988	\$ 169,261
Payables for molding equipment	19,327	16,940
Payables for annual leave	17,358	17,061
Payables for employees' compensation	6,333	8,274
Payables for utilities expense	5,306	4,592
Others	<u>16,905</u>	<u>14,460</u>
	<u>\$ 200,217</u>	<u>\$ 230,588</u>
Other payables to related parties		
Payables for royalty	\$ 60,603	\$ 60,715
Payables for inspection expense	3,635	3,386
Payables for molds	1,105	2,125
Payables for design expense	440	-
Others	<u>4,204</u>	<u>300</u>
	<u>\$ 69,987</u>	<u>\$ 66,526</u>
Other current liabilities		
Receipts under custody	<u>\$ 623</u>	<u>\$ 430</u>
<u>Non-current</u>		
Other non-current liabilities		
Provision for employee benefits	\$ 2,526	\$ 2,488
Guarantee deposits received	<u>240</u>	<u>240</u>
	<u>\$ 2,766</u>	<u>\$ 2,728</u>

Provision for employee benefits is the estimate of long-term bonus for senior employees.

18. 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 plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the Republic of China (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 11% and 8% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee and a manager pension fund administered by the manager pension fund managing committee. Pension contributions are deposited respectively in

the Bank of Taiwan and Taiwan Business Bank in the committee's name. Before the end of each year, the Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 318,954	\$ 341,705
Fair value of plan assets	<u>(243,898)</u>	<u>(229,817)</u>
Net defined benefit liabilities	<u>\$ 75,056</u>	<u>\$ 111,888</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	\$ 371,377	\$ (236,357)	\$ 135,020
Service cost			
Current service cost	4,003	-	4,003
Net interest expense (income)	<u>4,178</u>	<u>(2,696)</u>	<u>1,482</u>
Recognized in profit or loss	<u>8,181</u>	<u>(2,696)</u>	<u>5,485</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,030)	(7,030)
Actuarial loss - changes in demographic assumptions	1,467	-	1,467
Actuarial loss - changes in financial assumptions	13,369	-	13,369
Actuarial profit - experience adjustments	<u>(1,014)</u>	<u>-</u>	<u>(1,014)</u>
Recognized in other comprehensive income	<u>13,822</u>	<u>(7,030)</u>	<u>6,792</u>
Contributions from the employer	-	(35,409)	(35,409)
Benefits paid	<u>(51,675)</u>	<u>51,675</u>	<u>-</u>
Balance at December 31, 2019	341,705	(229,817)	111,888
Service cost			
Current service cost	3,111	-	3,111
Net interest expense (income)	<u>2,563</u>	<u>(1,764)</u>	<u>799</u>
Recognized in profit or loss	<u>5,674</u>	<u>(1,764)</u>	<u>3,910</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,492)	(7,492)
Actuarial loss - changes in demographic assumptions	875	-	875

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss - changes in financial assumptions	\$ 8,088	\$ -	\$ 8,088
Actuarial profit - experience adjustments	(1,333)	-	(1,333)
Recognized in other comprehensive income	<u>7,630</u>	<u>(7,492)</u>	<u>138</u>
Contributions from the employer	-	(40,880)	(40,880)
Benefits paid	<u>(36,055)</u>	<u>36,055</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 318,954</u>	<u>\$ (243,898)</u>	<u>\$ 75,056</u> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 2,811	\$ 4,014
Selling and marketing expenses	39	45
General and administrative expenses	651	925
Research and development expenses	<u>409</u>	<u>501</u>
	<u>\$ 3,910</u>	<u>\$ 5,485</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government 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 plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate	0.500%	0.750%
Expected rate of salary increase	2.000%	2.000%

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:

	December 31	
	2020	2019
Discount rate		
0.25% increase	\$ (8,092)	\$ (9,004)
0.25% decrease	\$ 8,398	\$ 9,353
Expected rate of salary increase/decrease		
0.25% increase	\$ 8,128	\$ 9,074
0.25% decrease	\$ (7,874)	\$ (8,782)

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 changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	\$ 4,896	\$ 10,771
Average duration of the defined benefit obligation	10.3 years	10.7 years

19. EQUITY

a. Share capital

Number of shares authorized (in thousands)	76,230
Shares authorized	\$ 762,300
Number of shares issued and fully paid (in thousands)	
Ordinary shares	76,230
Shares issued	
Ordinary shares	\$ 762,300

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	
	2020	2019
Issuance of ordinary shares	\$ 56,330	\$ 56,330
Capital surplus from gain on disposal of assets	4,142	4,142
Donations (dividends expired)	360	264
	<u>\$ 60,832</u>	<u>\$ 60,736</u>

Such capital surplus from issuance of ordinary shares and donations 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 once a year). Capital surplus from gain on disposal of assets may only be used to offset a deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, 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 a legal reserve 10% of the remaining profit, 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 to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 21(f) "Employees' compensation and remuneration of director and supervisors in for 2020 and 2019".

In order to take the future needs of funding and long-term financial plan into consideration, when the board of directors drafts the surplus distribution, more than 50% of accumulated unappropriated earnings will be allocated as shareholders' dividends, and the cash dividends shall not be lower than the 50% of the shareholders' dividends. The said proportion of allocation of dividends and cash dividends shall be resolved by the resolution of the shareholders in their meeting.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset a deficit. 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 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 2019 and 2018, which were approved in the shareholders' meetings on June 12, 2020 and June 18, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 36,046	\$ 31,920
Cash dividends	\$ 304,920	\$ 289,674
Cash dividends per share (NT\$)	\$ 4	\$ 3.8

The appropriations of earnings for 2020 were proposed by the Company's board of directors on March 24, 2021. The appropriations were as follows:

	Appropriation of Earnings
Legal reserve	\$ 15,964
Cash dividends	\$ 99,099
Cash dividends per share (NT\$)	\$ 1.3

The appropriations of earnings for 2020 are subject to the resolution of the shareholders in their meeting.

20. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 4,797,165</u>	<u>\$ 5,390,196</u>

a. Contract information

Revenue from sale of goods

The Group's primary products are car lamps and molds. Car lamps and molds are sold at their respective fixed amounts as agreed in the contracts.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (including related parties) (Note 7)	<u>\$ 1,002,942</u>	<u>\$ 854,690</u>	<u>\$ 780,046</u>
Contract liabilities - current			
Deferred revenue	<u>\$ 158,868</u>	<u>\$ 313,094</u>	<u>\$ 323,019</u>

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing differences between the Group's satisfaction of performance obligations and the respective customer's payment.

Revenue recognized in the current year from the contract liabilities at the beginning of the year is as follows:

	For the Year Ended December 31	
	2020	2019
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 231,987</u>	<u>\$ 276,527</u>

c. Disaggregation of revenue

	For the Year Ended December 31	
	2020	2019
<u>Type of goods</u>		
Car lamps	\$ 3,525,336	\$ 4,091,095
Molds	734,172	713,040
Others	<u>537,657</u>	<u>586,061</u>
	<u>\$ 4,797,165</u>	<u>\$ 5,390,196</u>

21. PROFIT BEFORE INCOME TAX

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	\$ <u>173</u>	\$ <u>420</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Royalty revenue	\$ 46,031	\$ 70,203
Government grants revenue (Note 28)	42,506	-
Others	<u>16,160</u>	<u>5,910</u>
	<u>\$ 104,697</u>	<u>\$ 76,113</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Fair value changes of financial assets and financial liabilities		
Financial assets classified as at FVTPL	\$ -	\$ 1
Interest on bank loans	(2,557)	(1,277)
Interest on lease liabilities	(219)	(340)
Net foreign exchange losses	(10,193)	(3,376)
Royalty expense	(15,098)	(26,813)
Loss on disposal of property, plant and equipment	(125)	(157)
Others	<u>(17,155)</u>	<u>(9,714)</u>
	<u>\$ (45,347)</u>	<u>\$ (41,676)</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 123,614	\$ 118,667
Right-of-use assets	13,571	12,702
Intangible assets	<u>11,251</u>	<u>-</u>
	<u>\$ 148,436</u>	<u>\$ 131,369</u>
An analysis of depreciation by function		
Operating costs	\$ 117,834	\$ 113,919
Operating expenses	<u>19,351</u>	<u>17,450</u>
	<u>\$ 137,185</u>	<u>\$ 131,369</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
An analysis of amortization by function		
Operating costs	\$ 2,565	\$ -
Operating expenses	<u>8,686</u>	<u>-</u>
	<u>\$ 11,251</u>	<u>\$ -</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits		
Salaries	\$ 506,998	\$ 581,610
Directors' remuneration	900	690
Labor and health insurance	49,899	53,939
Others	<u>23,702</u>	<u>25,379</u>
	<u>581,499</u>	<u>661,618</u>
Post-employment benefits		
Defined contribution plans	21,141	22,244
Defined benefit plans (Note 18)	<u>3,910</u>	<u>5,485</u>
	<u>25,051</u>	<u>27,729</u>
Total employee benefits expense	<u>\$ 606,550</u>	<u>\$ 689,347</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 386,252	\$ 442,022
Operating expenses	<u>220,298</u>	<u>247,325</u>
	<u>\$ 606,550</u>	<u>\$ 689,347</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rates of no less than 1% of net profit after offsetting previous fiscal deficits, and before income tax, and employees' compensation. The employees' compensation for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 24, 2021 and March 6, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	1%	1%

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation - cash	\$ 1,804	\$ 4,529

Remuneration of directors and supervisors was not issued over the years.

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

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

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 38,536	\$ 40,031
Foreign exchange losses	<u>(48,729)</u>	<u>(43,407)</u>
	<u>\$ (10,193)</u>	<u>\$ (3,376)</u>

22. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 48,371	\$ 86,437
Income tax on unappropriated earnings	703	-
Adjustment for prior years	<u>(9,345)</u>	<u>60</u>
	39,729	86,497
Deferred tax		
In respect of the current year	<u>(20,850)</u>	<u>1,397</u>
Income tax expense recognized in profit or loss	<u>\$ 18,879</u>	<u>\$ 87,894</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 178,629</u>	<u>\$ 448,351</u>
Income tax expense calculated at the statutory rate	\$ 35,726	\$ 89,670
Tax-exempt income	(8,501)	-
Unrecognized deductible temporary differences	296	(1,836)
Income tax on unappropriated earnings	703	-
Adjustments for prior years' tax	<u>(9,345)</u>	<u>60</u>
Income tax expense recognized in profit or loss	<u>\$ 18,879</u>	<u>\$ 87,894</u>

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ 27	\$ 1,358
Exchange differences on translating foreign operations	(969)	3,062
	<u>\$ (942)</u>	<u>\$ 4,420</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable (classified under other current assets)	\$ -	\$ 8,813
Prepaid income tax (classified under prepayments)	-	4,947
	<u>\$ -</u>	<u>\$ 13,760</u>
Current tax liabilities		
Income tax payable	<u>\$ 64,112</u>	<u>\$ 49,383</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Allowance for reduction of inventory to market	\$ 1,498	\$ 1,071	\$ -	\$ 2,569
Unrealized gain or loss with associates	1,316	(357)	-	959
Long-term employee benefit liability	498	7	-	505
Deferred revenue	-	14,185	-	14,185
Defined benefit plans	22,377	(7,393)	27	15,011
Payables for annual leave	3,412	60	-	3,472
Unrealized exchange losses	1,863	32	-	1,895

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Exchange differences on translating the financial statements of foreign operations	\$ 5,373	\$ -	\$ (969)	\$ 4,404
	<u>\$ 36,337</u>	<u>\$ 7,605</u>	<u>\$ (942)</u>	<u>\$ 43,000</u>
Deferred Tax Liabilities				
Temporary differences				
Unappropriated earnings of associates	\$ 40,667	\$ (13,425)	\$ -	\$ 27,422
Land value tax	<u>76,736</u>	<u>-</u>	<u>-</u>	<u>76,736</u>
	<u>\$ 117,403</u>	<u>\$ (13,245)</u>	<u>\$ -</u>	<u>\$ 104,158</u>
				(Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred Tax Assets				
Temporary differences				
Allowance for reduction of inventory to market	\$ 949	\$ 549	\$ -	\$ 1,498
Unrealized gain or loss with associates	1,509	(193)	-	1,316
Long-term employee benefit liability	481	17	-	498
Defined benefit plans	27,004	(5,985)	1,358	22,377
Payables for annual leave	3,566	(154)	-	3,412
Unrealized exchange losses	-	1,863	-	1,863
Exchange differences on translating the financial statements of foreign operations	2,311	-	3,062	5,373
	<u>\$ 35,820</u>	<u>\$ (3,903)</u>	<u>\$ 4,420</u>	<u>\$ 36,337</u>
Deferred Tax Liabilities				
Temporary differences				
Unappropriated earnings of associates	\$ 42,207	\$ (1,540)	\$ -	\$ 40,667
Unrealized exchange gains	966	(966)	-	-
Land value tax	<u>76,736</u>	<u>-</u>	<u>-</u>	<u>76,736</u>
	<u>\$ 119,909</u>	<u>\$ (2,506)</u>	<u>\$ -</u>	<u>\$ 117,403</u>

e. Income tax assessments

The tax returns of the Company through 2018 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2020	2019
Net profit for the year	<u>\$ 159,750</u>	<u>\$ 360,457</u>

Shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in computation of basic earnings per share	76,230	76,230
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>45</u>	<u>82</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>76,275</u>	<u>76,312</u>

Since the Group offered to settle the compensation paid to employees in cash or shares, the Group assumed that 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 shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities that were not reflected in the consolidated statements of cash flows for the years ended December 31, 2020 and 2019:

	For the Year Ended December 31	
	2020	2019
Increase in property, plant and equipment	\$ 184,282	\$ 109,292
Increase (decrease) in prepayments for equipment	<u>(2,343)</u>	<u>1,809</u>
	<u>\$ 181,939</u>	<u>\$ 111,101</u>

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

	Short-term borrowings	Lease liabilities
Balance at January 1, 2020	\$ -	\$ 19,375
Net cash flows from financing activities	343,682	(13,679)
Non-cash changes		
New leases	-	2,775
Lease modifications	-	(58)
Effect of foreign currency exchange differences	<u>(1,282)</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 342,400</u>	<u>\$ 8,413</u>

For the year ended December 31, 2019

	Lease liabilities
Balance at January 1, 2019	\$ -
Adjustments on initial application of IFRS 16	<u>25,543</u>
Restated on January 1, 2019	25,543
Net cash flows from financing activities	(12,842)
Non-cash changes	
New leases	8,570
Lease modifications	<u>(1,896)</u>
Balance at December 31, 2019	<u>\$ 19,375</u>

25. 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 stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash) and equity of the Group. The Group is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

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

The carrying amounts of the Group's financial instruments that are not measured at fair value, such as cash, accounts receivable (including related parties), refundable deposits (classified under other non-current assets), accounts payable (including related parties), and guarantee deposits received (classified under other non-current liabilities) approximate their fair values.

b. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,149,647	\$ 1,001,636
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,495,691	1,121,378

1) The balances include financial assets at amortized cost, which comprise cash, notes and accounts receivable (including related parties), other receivables (including related parties), and refundable deposits (classified under other non-current assets).

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties), and guarantee deposits received (classified under non-current liabilities).

c. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payable, borrowings and lease liabilities

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to an increase and decrease of 1% in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit. For a 1% weakening of the functional currency against the relevant foreign currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	\$ 1,508	\$ 2,437

Exchange rate fluctuations are mainly attributable to the exposure on outstanding cash, accounts receivable, short-term borrowings and accounts payable in foreign currency which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period. Sales quoted in USD may change with the fluctuation of client orders.

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 period were as follows:

	For the Year Ended December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 3,905	\$ 6,333
Cash flow interest rate risk		
Financial assets	104,693	82,556
Financial liabilities	342,400	-

Sensitivity analysis

For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1% 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 and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased by \$2,377 thousand and \$0 thousand, respectively, which was mainly a result of variable-rate borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a 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 due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group's credit risk primarily arose from sales of the top 3 clients, which contributed more than 10% of the operating revenue in the statements of comprehensive income. The total percentages of accounts receivable (include related parties) from the above clients for the years ended December 31, 2020 and 2019 were 64% and 70%, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash 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 and ensures compliance with loan covenants.

All of the financial liabilities of the Group had original maturities of less than one year, except the lease liabilities. Because equity was greater than liabilities in the Group's capital structure, and the unused bank quotas and working capital were abundant, there was no material liquidity risk.

Additional information about the maturity analysis for lease liabilities:

December 31, 2020

	Less than 1 Year	1-5 Years
Lease liabilities	\$ <u>4,593</u>	\$ <u>3,963</u>

December 31, 2019

	Less than 1 Year	1-5 Years
Lease liabilities	\$ <u>13,235</u>	\$ <u>6,441</u>

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
Koito Manufacturing Co., Ltd.	Investors with significant influence over the Company
Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd	Associates
Guangzhou Koito Automotive Lamp Co., Ltd.	Subsidiary of Koito Manufacturing Co., Ltd.
India Japan Lighting Private Limited	Subsidiary of Koito Manufacturing Co., Ltd.
PT. Indonesia Koito	Subsidiary of Koito Manufacturing Co., Ltd.
Thai Koito Company Limited	Subsidiary of Koito Manufacturing Co., Ltd.
Hubei Koito Automotive Lamp Co., Ltd.	Subsidiary of Koito Manufacturing Co., Ltd.
North American Lighting Inc.	Subsidiary of Koito Manufacturing Co., Ltd.
NAL DO BRASIL INDUSTRIA E COMERCIO DE COMPONENTES DE ILUMINACAO LTDA	Subsidiary of Koito Manufacturing Co., Ltd.
TYC Brother Industrial Co., Ltd.	Substantive related party
DBM Reflex of Taiwan Co., Limited	Substantive related party
Mai Huang Enterprise Co., Ltd.	Substantive related party
Juoku Technology Co., Ltd.	Substantive related party
Ta Yih Investment Co., Ltd.	Substantive related party
Ta Yih International Hotel Co., Ltd.	Substantive related party
Nai Yi Entertainment Company Ltd.	Substantive related party
Wu Jinmao Culture and Education Foundation	Substantive related party
Ta Yih Kenmos Auto Parts Co., Ltd.	Substantive related party
Ta Mao Operating Consultant Co., Ltd.	Substantive related party

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Company		
Koito Manufacturing Co., Ltd.	\$ 951,920	\$ 911,282
Associates		
Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd	186,517	162,734
Subsidiary of Koito Manufacturing Co., Ltd.	63,976	61,722
Substantive related party	<u>194</u>	<u>649</u>
	<u>\$ 1,202,607</u>	<u>\$ 1,136,387</u>

The prices of sales of goods with related parties did not have substantive difference compared to non-related parties, except the prices of sales of goods with associates were added based on the costs. The collection term of domestic sales with related parties is 90 days, the collection term of export sales with related parties apart from associates, according to the term of individual transaction, is 120 to 180 days, and the collection term does not have substantive difference compared to non-related parties.

The unrealized gains on sales with associates for the years ended December 31, 2020 and 2019 were \$4,794 thousand and \$6,582 thousand, respectively, and had been recognized as a reduction of investments accounted for using the equity method.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Company		
Koito Manufacturing Co., Ltd.	\$ 403,969	\$ 364,661
Associates	20,807	3,062
Subsidiary of Koito Manufacturing Co., Ltd.	678	465
Substantive related party	<u>26,880</u>	<u>15,776</u>
	<u>\$ 452,334</u>	<u>\$ 383,964</u>

The payment term and price of goods purchased do not have substantive difference between related and non-related parties. The payment term for related parties depends on individual transaction, which is normally 90 days, and does not have substantive difference from non-related parties.

d. Contract liabilities - 2019

Related Party Category/Name	December 31, 2019
Investors with significant influence over the Company	\$ 3,652
Associates	
Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd.	<u>46,117</u>
	<u>\$ 49,769</u>

e. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Accounts receivable	Investors with significant influence over the Company		
	Koito Manufacturing Co., Ltd.	\$ 186,041	\$ 98,473
	Associates		
	Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd	29,408	6,512
	Subsidiary of Koito Manufacturing Co., Ltd.	24,673	-
	Substantive related party	<u>-</u>	<u>12</u>
		240,122	104,997
	Less: Allowance for impairment loss	<u>244</u>	<u>101</u>
		<u>\$ 239,878</u>	<u>\$ 104,896</u>
Other receivables	Investors with significant influence over the Company		
	Koito Manufacturing Co., Ltd.	\$ -	\$ 76
	Associates		
	Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd	19,803	31,502
	Subsidiary of Koito Manufacturing Co., Ltd.	<u>1</u>	<u>-</u>
		<u>\$ 19,804</u>	<u>\$ 31,578</u>

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Notes payable	Substantive related party	<u>\$ -</u>	<u>\$ 1,005</u>
Accounts payable	Investors with significant influence over the Company		
	Koito Manufacturing Co., Ltd.	\$ 61,540	\$ 46,751
	Associates	2,273	417
	Substantive related party	<u>7,232</u>	<u>9,062</u>
		<u>\$ 71,045</u>	<u>\$ 56,230</u>
Other payable	Investors with significant influence over the Company		
	Koito Manufacturing Co., Ltd.	\$ 67,190	\$ 64,392
	Associates	454	9
	Subsidiary of Koito Manufacturing Co., Ltd.	1,239	-
	Substantive related party	<u>1,104</u>	<u>2,125</u>
		<u>\$ 69,987</u>	<u>\$ 66,526</u>

The outstanding payables to related parties are unsecured.

g. Prepayments

Line Item	Related Party Category/Name	December 31	
		2020	2019
Prepayments to suppliers	Subsidiary of Koito Manufacturing Co., Ltd.	\$ 55	\$ -
Prepaid expenses	Investors with significant influence over the Company	175	1,419
		<u>\$ 230</u>	<u>\$ 1,419</u>
Prepayments for equipment (classified under other non-current assets)	Substantive related party	<u>\$ 880</u>	<u>\$ -</u>

h. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Company Koito Manufacturing Co., Ltd.	<u>\$ 8,910</u>	<u>\$ -</u>

i. Acquisition of other assets (classified under intangible assets)

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Investors with significant influence over the Company Koito Manufacturing Co., Ltd.	<u>\$ 554</u>	<u>\$ -</u>

j. Other transactions with related parties

1) Royalty expenses

The Group entered into a royalty expense contract with its investor with significant influence - Koito Manufacturing Co., Ltd. from April 23, 2016 to April 22, 2022. The royalty expenses were \$86,342 thousand and \$96,574 thousand for the years ended December 31, 2020 and 2019, respectively, and had been recognized as operating costs and operating expenses.

2) Examination expenses

The Group entrusted its investor with significant influence - Koito Manufacturing Co., Ltd. for assistance on the examination of the headlight products. The examination expenses were \$15,199 thousand and \$20,092 thousand the years ended December 31, 2020 and 2019, respectively, and had been recognized as selling and marketing expenses.

3) Royalty revenue

The Group entered into a royalty revenue contract with its associate - Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd. from April 1, 2019 to March 31, 2024. The royalty revenues were \$39,762 thousand and \$62,847 thousand for the years ended December 31, 2020 and 2019, respectively, and had been recognized as other income of non-operating income and expenses. According to the contract, 50% of the royalty revenue should be paid to its investor with significant influence - Koito Manufacturing Co., Ltd. which amounted to \$15,098 thousand and \$26,813 thousand for the years ended December 31, 2020 and 2019, respectively, and had been recognized as other losses, net of non-operating income and expenses.

The Group entered into a contract with subsidiary of Koito Manufacturing Co., Ltd - Hubei Koito Automotive Lamp Co., Ltd. from December 25, 2015 to December 24, 2020. The royalty revenues were \$4,235 thousand and \$7,193 thousand for the years ended December 31, 2020 and 2019, respectively, and had been recognized as other income of non-operating income and expenses.

The Group entered into a contract with subsidiary of Koito Manufacturing Co., Ltd - Guangzhou Koito Automotive Lamp Co., Ltd. from November 11, 2019 to December 31, 2020. The royalty revenue was \$2,034 thousand and \$163 thousand for the year ended December 31, 2020, and 2019, respectively, and had been recognized as other income of non-operating income and expenses.

k. Donations (classified under general and administrative expenses)

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Substantive related party	\$ <u>53</u>	\$ <u>1,000</u>

l. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 13,860	\$ 18,806
Post-employment benefits	<u>132</u>	<u>165</u>
	\$ <u>13,992</u>	\$ <u>18,971</u>

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

28. OTHER ITEMS

As a result of the COVID-19 pandemic, the Group's major U.S. client suspended operations starting from the end of March 2020 to the end of May 2020, leading to delayed shipments and a reduction in order volume, resulting in a substantial decline of 36% in operating revenue from April 2020 to June 2020 compared to the same period of the previous year. In response, the Group has successively applied to the government for salary subsidies, and obtained up to \$42,506 thousand in funding (refer to Note 21). Since the end of May 2020, the U.S. client has gradually resumed operations. As of the date the consolidated financial statements were authorized for issue, the Group continues to evaluate the economic impact of the COVID-19 pandemic.

29. 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 the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,147	28.100	\$ 285,120
CNY	17,964	4.316	77,532
JPY	816,722	0.2725	222,557
Non-monetary items			
Investments accounted for using the equity method			
CNY	77,227	4.365	337,080

Financial liabilities

Monetary items			
USD	4,779	28.100	134,278
CNY	6,670	4.316	28,789
JPY	251,528	0.2725	68,541

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,769	30.005	\$ 263,105
CNY	20,089	4.299	86,363
JPY	390,852	0.2758	107,797
Non-monetary items			
Investments accounted for using the equity method			
CNY	93,030	4.297	399,795

Financial liabilities

Monetary items			
USD	647	30.005	19,412
CNY	4,285	4.299	18,420
JPY	202,742	0.2758	55,916

The carrying amount of investments accounted for using the equity method does not contain the reduction of unrealized gains.

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.408 (USD:NTD)	\$ (36,171)	30.85 (USD:NTD)	\$ (5,279)
CNY	4.26 (CNY:NTD)	696	4.47 (CNY:NTD)	(3,226)
JPY	0.2762 (JPY:NTD)	<u>25,282</u>	0.2828 (JPY:NTD)	<u>5,129</u>
		<u>\$ (10,193)</u>		<u>\$ (3,376)</u>

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (None)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs 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)
- 10) Intercompany relationships and significant intercompany transactions (None)

b. Information on investees (Table 3)

c. Information on investments in mainland China

- 1) 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 period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 5):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) 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 receipt of services
- 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 6)

31. SEGMENT INFORMATION

- a. Segment revenue, results, total assets and liabilities

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group is considered one segment by the chief operating decision maker. The basis for such measurement is the same as that for the preparation of financial statements. Refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

- b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2020	2019
Car lamps	\$ 3,525,336	\$ 4,091,095
Molds	734,172	713,040
Others	<u>537,657</u>	<u>586,061</u>
	<u><u>\$ 4,797,165</u></u>	<u><u>\$ 5,390,196</u></u>

- c. Geographical information

The Group mainly operates in one principal geographical area - Taiwan.

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

	Revenue from External Customers	
	For the Year Ended December 31	
	2020	2019
Taiwan	\$ 2,276,338	\$ 2,609,919
Japan	957,426	930,818
China	203,599	264,970
USA	1,205,471	1,441,893
Others	<u>154,331</u>	<u>142,596</u>
	<u>\$ 4,797,165</u>	<u>\$ 5,390,196</u>
	Non-current Assets	
	December 31	
	2020	2019
Taiwan	<u>\$ 1,399,162</u>	<u>\$ 1,393,817</u>

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

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2020	%	2019	%
Customer A	\$ 1,279,655	27	\$ 1,522,789	28
Customer B	1,281,609	27	1,536,520	29
Investors with significant influence over the Company	<u>951,920</u>	<u>20</u>	<u>911,282</u>	<u>17</u>
	<u>\$ 3,513,184</u>	<u>74</u>	<u>\$ 3,970,591</u>	<u>74</u>

TABLE 1**Ta Yih Industrial Co., Ltd. And Subsidiaries**

**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, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Koito Manufacturing Co., Ltd.	Investors with significant influence over the Company	Sales	\$ (951,920)	(20)	90 days	No significant differences	No significant differences	Accounts receivable	19	
			Purchases	403,969	11	90 days	No significant differences	No significant differences	\$ 186,041 Accounts payable (61,540)	(7)	
	Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd	Associates accounted for using the equity method	Sales	(186,517)	(4)	120 to 180 days	Cost plus pricing	120 to 180 days. Generally 90 days.	Accounts receivable 29,408	3	

TABLE 2

Ta Yih Industrial Co., Ltd. And Subsidiaries

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Koito Manufacturing Co., Ltd.	Investors with significant influence over the Company	\$ 186,041	6.69	\$ -	—	\$ 186,041	\$ 94

TABLE 3

Ta Yih Industrial Co., Ltd. And Subsidiaries

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
The Company	Ta Yih International Investment Co., Ltd.	Omar Hodge Building, Wickhams Cay I P.O. Box 362, Road Town, Tortola, British Virgin Islands	Investment	\$ 1,367	\$ 1,367	50,000	100	\$ 860	\$ (53)	\$ (53)	

Note: Information on investments in mainland China, refer to Table 4.

TABLE 4**Ta Yih Industrial Co., Ltd. And Subsidiaries**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 5)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020 (Note 4)
					Outward	Inward						
Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd	Import, export and sale of automobile lamps in mainland China	US \$9 million (Note 2) (NT \$252,900 thousand) (Note 3)	Entrusting Ta Yih International Investment Co., Ltd. which was established in third region to invest in mainland China. Items referred to Rule No. 84022220 issued by the Investment Commission, MOEA.	\$ 42,470	\$ -	\$ -	\$ 42,470	\$ (138,013)	49	\$ (67,628)	\$ 332,286	\$ 238,605

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by The Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by The Investment Commission, MOEA (Note 6)
\$ 42,470	US\$4.41 million (Note 2) (NT\$123,921 thousand) (Note 3)	\$1,760,329×60% = \$1,056,197

Note 1 : Amount was recognized based on the audited financial statements.

Note 2 : On January 18, 1996, the Investment Commission, MOEA approved the investment of US\$2.5 million (including cash investment of US\$1.76 million and machinery investment of US\$740,000) through the approval of the Rule No. 84022220. On February 20, 2001, according to the Rule No. 90003791, approved by the Investment Commission, MOEA, the Company entrusted Ta Yih Investment Co., Ltd. which was established in the third region to invest US\$500,000 on machinery equipment. However, there was still US\$150,000 left unpaid. Therefore, the amount of capital owned by Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd was only US\$2.85 million. However, at the end of November 2005, the Company transferred 51% of the investment to Koito Manufacturing Co., Ltd. In December 2007, Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd resolved to issue share dividends from capital surplus of US\$2.45 million , of which the investment amount belonged to the Company was US\$2.45 million × 49% = US\$1.205 million, and had been approved by the Investment Commission, MOEA on March 24, 2008. In August 2008, the Company applied for issuing share dividends from capital surplus of US\$1.5 million, of which the amount of investment belonged to the company was US\$1.5 million × 49% = US\$735,000, and had been approved by the Investment Commission, MOEA on August 6, 2008. In May 2010, the Company applied for issuing share dividends from capital surplus of US\$2.2 million, of which the amount of investment belonged to the Company was US\$2.2 million × 49% = US\$1.078 million. As of December 31, 2020, the paid-in capital of Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd was US\$9 million. The registration was completed in July 2010 and had been approved by the Investment Commission, MOEA on November 30, 2010.

Note 3 : The amount in the table should be shown in NTD (exchange rate was 28.1 at reporting date).

Note 4 : Inward cash dividends.

Note 5 : The original amount of investment was NT\$86,673 thousands. 51% equity of Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd was sold for NT\$44,203 thousands.

Note 6 : The upper limit according to “Principle of Investment or Technical Cooperation in Mainland China” issued by the Investment Commission, MOEA on August 29, 2008.

TABLE 5

Ta Yih Industrial Co., Ltd. And Subsidiaries

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale	Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gain	Note
		Amount		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Fuzhou Koito Ta Yih Automotive Lamp Co., Ltd	Sales	\$ 186,517	Cost plus pricing	120 to 180 days	90 days	Accounts receivable	3	\$ 1,327	
	Royalty revenue	39,762	According to the contract	Every 180 days.	N/A	\$ 29,408 Other receivables 19,803	90		

TABLE 6**Ta Yih Industrial Co., Ltd. And Subsidiaries****INFORMATION OF MAJOR SHAREHOLDERS****December 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Koito Manufacturing Co., Ltd.	24,774,750	32.50%
Ta Wei Investment Co., Ltd.	22,523,880	29.54%

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. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers their shareholdings to a trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Securities 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 the Market Observation Post System website of the Taiwan Stock Exchange.