

**Hold-Key Electric Wire & Cable 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 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 prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

By

March 22, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hold-Key Electric Wire & Cable Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hold-Key Electric Wire & Cable 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.

Revenue Recognition

The Group's revenue from sales of wires and cables to contractors of domestic government projects is recognized upon customers' acceptance of the products in accordance with the agreement. As the amount of revenue is significant to the consolidated financial statements, the occurrence of revenue recognition was deemed as a key audit matter for the year ended December 31, 2020.

To address this matter, we evaluated the Group's revenue recognition policy and the design and implementation of internal controls for this type of revenue. We selected samples of the recorded sales revenue and verified them against the contract, customers' acceptance documents, sales orders, etc., and confirmed the occurrence of revenue transactions.

Other Matter

We have also audited the financial statements of Hold-Key Electric Wire & Cable 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 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, 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 audit committee, 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 those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Tza-Li Gung and Wen-Yuan Chuang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 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.

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 684,882	14	\$ 669,334	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	167,508	3	144,441	3
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	126,724	2	118,679	3
Financial assets at amortized cost - current (Notes 4, 9 and 29)	36,000	1	41,986	1
Contract assets - current (Notes 4 and 22)	240,070	5	155,721	3
Notes receivable (Notes 4, 10 and 22)	26,497	-	38,573	1
Trade receivables (Notes 4, 10 and 22)	290,533	6	501,716	11
Amounts due from customers for construction contracts (Note 11)	-	-	3,203	-
Other receivables (Note 10)	2,943	-	9,296	-
Inventories (Notes 4, 5 and 12)	757,574	15	819,730	18
Other current assets (Note 18)	40,527	1	49,934	1
Total current assets	2,373,258	47	2,552,613	55
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	990,554	20	581,408	12
Investments accounted for using the equity method (Notes 4 and 14)	570	-	366	-
Property, plant and equipment (Notes 4, 15 and 29)	1,415,027	28	1,201,934	26
Right-of-use assets (Notes 4 and 16)	9,266	-	26,758	1
Investment properties (Notes 4, 17 and 29)	192,936	4	195,156	4
Deferred tax assets (Notes 4, 5 and 24)	28,136	1	32,351	1
Other non-current assets (Note 18)	27,207	-	40,553	1
Total non-current assets	2,663,696	53	2,078,526	45
TOTAL	\$ 5,036,954	100	\$ 4,631,139	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable	\$ 290	-	\$ 171	-
Trade payables to unrelated parties	220,484	4	319,541	7
Trade payables to related parties (Note 28)	-	-	27,069	1
Amounts due to customers for construction contracts (Note 11)	2,066	-	10,802	-
Other payables (Note 19)	85,207	2	83,465	2
Current tax liabilities (Notes 4 and 24)	42,955	1	1,970	-
Lease liabilities - current (Notes 4 and 16)	3,506	-	6,941	-
Other current liabilities (Note 19)	23,724	-	16,861	-
Total current liabilities	378,232	7	466,820	10
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 24)	2,553	-	-	-
Lease liabilities - non-current (Notes 4 and 16)	5,899	-	19,958	-
Other non-current liabilities (Notes 19, 20 and 28)	34,676	1	35,139	1
Total non-current liabilities	43,128	1	55,097	1
Total liabilities	421,360	8	521,917	11
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 8 and 21)				
Ordinary shares	2,408,647	48	2,408,647	52
Capital surplus	359,377	7	431,635	9
Retained earnings				
Legal reserve	307,990	6	301,196	7
Special reserve	11,237	-	221,330	5
Unappropriated earnings	1,207,765	24	757,651	16
Total retained earnings	1,526,992	30	1,280,177	28
Other equity	320,578	7	(11,237)	-
Total equity attributable to owners of the parent	4,615,594	92	4,109,222	89
TOTAL	\$ 5,036,954	100	\$ 4,631,139	100

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

HOLD-KEY ELECTRIC WIRE & CABLE 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, 22, 28 and 35)	\$ 2,822,947	100	\$ 2,757,736	100
OPERATING COSTS (Notes 12, 20, 23 and 28)	<u>2,482,042</u>	<u>88</u>	<u>2,589,935</u>	<u>94</u>
GROSS PROFIT	<u>340,905</u>	<u>12</u>	<u>167,801</u>	<u>6</u>
OPERATING EXPENSES (Notes 20, 23 and 28)				
Selling and marketing expenses	56,279	2	63,436	2
General and administrative expenses	39,524	1	38,400	2
Research and development expenses	<u>4,460</u>	<u>-</u>	<u>6,885</u>	<u>-</u>
Total operating expenses	<u>100,263</u>	<u>3</u>	<u>108,721</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>240,642</u>	<u>9</u>	<u>59,080</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	2,758	-	5,918	-
Other income (Note 23)	38,407	1	31,896	1
Other gains and losses (Notes 14, 15 and 23)	12,488	1	(8,026)	-
Finance costs (Note 23)	(360)	-	(427)	-
Share of profit (loss) of associates accounted for using the equity method (Note 14)	<u>228</u>	<u>-</u>	<u>(7,024)</u>	<u>-</u>
Total non-operating income and expenses	<u>53,521</u>	<u>2</u>	<u>22,337</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	294,163	11	81,417	3
INCOME TAX EXPENSE (Notes 4, 5 and 24)	<u>52,183</u>	<u>2</u>	<u>13,475</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>241,980</u>	<u>9</u>	<u>67,942</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	323	-	(2,696)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	336,584	12	199,036	7

(Continued)

HOLD-KEY ELECTRIC WIRE & CABLE 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	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (257)	-	\$ (41)	-
Other comprehensive income for the year, net of income tax	<u>336,650</u>	<u>12</u>	<u>196,299</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 578,630</u>	<u>21</u>	<u>\$ 264,241</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.00</u>		<u>\$ 0.28</u>	
Diluted	<u>\$ 1.00</u>		<u>\$ 0.28</u>	

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

(Concluded)

HOLD-KEY ELECTRIC WIRE & CABLE 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)

	Retained Earnings						Exchange Differences on Translating Foreign Operations	Other Equity	Total	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 2,408,647	\$ 503,895	\$ 301,196	\$ 136,491	\$ 788,342	\$ 1,226,029	\$ 6,103	\$ (227,433)	\$ (221,330)	\$ 3,917,241
Appropriation of the 2018 earnings Special reserve	-	-	-	84,839	(84,839)	-	-	-	-	-
Issuance of cash dividends from capital surplus	-	(72,260)	-	-	-	-	-	-	-	(72,260)
Net profit for the year ended December 31, 2019	-	-	-	-	67,942	67,942	-	-	-	67,942
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,696)	(2,696)	(41)	199,036	198,995	196,299
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	65,246	65,246	(41)	199,036	198,995	264,241
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(11,098)	(11,098)	-	11,098	11,098	-
BALANCE AT DECEMBER 31, 2019	2,408,647	431,635	301,196	221,330	757,651	1,280,177	6,062	(17,299)	(11,237)	4,109,222
Appropriation of the 2019 earnings Legal reserve	-	-	6,794	-	(6,794)	-	-	-	-	-
Reversal of special reserve	-	-	-	(210,093)	210,093	-	-	-	-	-
Issuance of cash dividends from capital surplus	-	(72,258)	-	-	-	-	-	-	-	(72,258)
Net profit for the year ended December 31, 2020	-	-	-	-	241,980	241,980	-	-	-	241,980
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	323	323	(257)	336,584	336,327	336,650
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	242,303	242,303	(257)	336,584	336,327	578,630
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	4,512	4,512	-	(4,512)	(4,512)	-
BALANCE AT DECEMBER 31, 2020	\$ 2,408,647	\$ 359,377	\$ 307,990	\$ 11,237	\$ 1,207,765	\$ 1,526,992	\$ 5,805	\$ 314,773	\$ 320,578	\$ 4,615,594

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

HOLD-KEY ELECTRIC WIRE & CABLE 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		
Profit before income tax	\$ 294,163	\$ 81,417
Adjustments for:		
Depreciation expenses	75,952	92,910
Amortization expenses	17	17
(Reversal of) expected credit loss on trade receivables	(2,089)	2,607
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(23,067)	(19,998)
Finance costs	360	427
Interest income	(2,758)	(5,918)
Dividend income	(28,766)	(21,284)
Share of (profit) loss of associates	(228)	7,024
Loss (gain) on disposal of property, plant and equipment	8,674	(1,432)
Loss on disposal of investment accounted for using the equity method	-	6,539
Impairment loss recognized on property, plant and equipment	-	14,718
Write-downs of inventories	1,850	4,812
Reversal of write-downs of inventories	(9,500)	(32,500)
Net loss (gain) on foreign currency exchange	421	(723)
Other non-cash items	(8)	-
Changes in operating assets and liabilities		
Contract assets	(84,599)	(155,721)
Notes receivable	12,032	(18,054)
Trade receivables	213,248	(138,446)
Amounts due from customers for construction contracts	3,203	210
Other receivables	6,098	(7,689)
Inventories	69,806	(204,366)
Other current assets	9,407	(24,139)
Other non-current assets	(57)	2
Notes payable	119	(1,358)
Trade payables	(126,226)	179,342
Amounts due to customers for construction contracts	(8,736)	(2,115)
Other payables	2,040	15,034
Other current liabilities	6,863	(2,037)
Other non-current liabilities	(59)	(5)
Cash generated from (used in) operations	418,160	(230,726)
Interest paid	(360)	(427)
Income tax paid	(4,511)	(8,402)
Net cash generated from (used in) operating activities	413,289	(239,555)
		(Continued)

HOLD-KEY ELECTRIC WIRE & CABLE 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 INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (94,554)	\$ (50,551)
Proceeds from sale of financial assets at fair value through other comprehensive income	4,694	46,270
Proceeds from capital reduction by return of shares - financial assets at FVTOCI	9,253	16,986
Purchase of financial assets at amortized cost	(50,000)	(88,375)
Proceeds from sale of financial assets at amortized cost	55,986	88,375
Proceeds from sale of investments in associates	-	776
Payments for property, plant and equipment	(258,078)	(39,898)
Proceeds from sale of property, plant and equipment	-	1,917
Increase in refundable deposits	(14,189)	(31,044)
Decrease in refundable deposits	12,557	34,841
Payments for investment properties	(529)	(2,000)
Increase in prepayments for equipment	(15,427)	(23,954)
Interest received	3,011	5,901
Other dividends received	<u>28,766</u>	<u>21,284</u>
Net cash used in investing activities	<u>(318,510)</u>	<u>(19,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	45	138
Refunds of guarantee deposits received	(45)	(138)
Repayment of the principal portion of lease liabilities	(6,740)	(6,596)
Cash dividends from capital surplus	<u>(72,258)</u>	<u>(72,260)</u>
Net cash used in financing activities	<u>(78,998)</u>	<u>(78,856)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(233)</u>	<u>(138)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,548	(338,021)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>669,334</u>	<u>1,007,355</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 684,882</u>	<u>\$ 669,334</u>

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

(Concluded)

HOLD-KEY ELECTRIC WIRE & CABLE 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

Hold-Key Electric Wire & Cable Co., Ltd. (the “Company”) was established in Taipei, Taiwan in March 1989 and its factories are located in Taoyuan, Taiwan. The Company mainly manufactures and sells XLPE power cables, electric cables, aluminum cables, rubber cables, communication cables, fiber optic cables, LAN cables, cable accessories, etc. and is also engaged in the import and export trade of the aforementioned products.

The Company’s shares are listed and have been traded on the Taiwan Stock Exchange since September 2000.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 22, 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)

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.

- 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

The initial application of the aforementioned amendments did not have material impact on the Group’s assets, liabilities and equity as of January 1, 2021.

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
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.

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, other regulations 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 an 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 an 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; even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

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, including structured entities). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 and Table 3 for detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (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 measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are the different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and 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.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process 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. 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 weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and that 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 are 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 equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of 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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When an entity in 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 of interests in the associate that are not related to the Group.

i. Property, plant and equipment

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

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.

j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

k. Impairment of property, plant and equipment, right-of-use asset 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 and right-of-use asset 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 and property, plant and equipment related to the contract 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 corresponding carrying amount of the 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.

l. Financial instruments

Financial assets and financial liabilities are recognized when an entity in 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated 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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

Fair value is determined in the manner described in Note 27.

b) Financial assets at amortized cost

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

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

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

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

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of a 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.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3) 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

m. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electric wires and cables. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location or when the cables have been installed and examined by the customer 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. Revenue and contract assets are recognized concurrently. Any amounts previously recognized as contract assets are subsequently reclassified to trade receivables when invoices are issued. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from cable and wire installation services. Revenue from the installation of electric wires and cables and contract assets are recognized concurrently when the installation has been completed and examined by the customer. Contract assets are subsequently reclassified to trade receivables when invoices are issued.

n. Leases

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) 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, which comprise fixed 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.

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 service.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liabilities (assets)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, effects of changes to asset ceiling and returns 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 Group'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

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

According to the Income Tax Law 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, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, to the extent that it is probable that taxable profit 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, and interests in joint arrangements, 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 profit 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 profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The 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.

Key Sources of Estimation Uncertainty

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience for the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. Refer to Note 12 for the Group's carrying amount of inventories as of December 31, 2020 and 2019.

b. Income taxes

As of December 31, 2020 and 2019, the carrying amount of deferred tax assets in relation to deductible temporary differences was \$28,136 thousand and \$32,351 thousand, respectively. As of December 31, 2020 and 2019, no deferred tax asset was recognized on tax losses of \$78,756 thousand and \$79,742 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 147	\$ 146
Checking accounts and demand deposits	233,535	153,307
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>451,200</u>	<u>515,881</u>
	<u>\$ 684,882</u>	<u>\$ 669,334</u>

The rate intervals of cash in banks at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank balance	0%-0.41%	0%-2.25%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Gold investment account	<u>\$ 167,508</u>	<u>\$ 144,441</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2020	2019
<u>Current</u>		
Domestic investments		
Listed shares		
Ordinary shares - G-Shank Enterprise Co., Ltd.	\$ 11,696	\$ 13,362
Ordinary shares - Nishoku Technology Inc.	17,876	11,152
Ordinary shares - Taiwan Cooperative Financial Holding Co., Ltd.	63,751	63,111
Ordinary shares - Global Mixed-Mode Technology Inc.	11,165	8,855
Ordinary shares - Sinher Technology Inc.	8,676	8,066
Ordinary shares - DrayTek Company	6,578	7,084
Ordinary shares - Taiwan Fu Hsing Industrial Co., Ltd.	2,512	2,459
Ordinary shares - Mega Financial Holding Company Ltd.	<u>4,470</u>	<u>4,590</u>
	<u>\$ 126,724</u>	<u>\$ 118,679</u>

(Continued)

	December 31	
	2020	2019
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Young Fast Optoelectronics Co., Ltd.	\$ 698,187	\$ 340,655
Ordinary shares - Fuzetec Technology Co., Ltd.	51,532	39,372
Unlisted shares		
Ordinary shares - Sol Young Enterprises Co., Ltd.	135,622	101,586
Ordinary shares - Bond-Galv Industrial Co., Ltd.	64,199	58,329
Ordinary shares - Mosart Semiconductor Corp.	9,976	5,076
Ordinary shares - Luminous Optical Technology Co., Ltd.	21,563	22,941
Ordinary shares - Taiwan Submarine Cable Co., Ltd. (Note)	300	300
Preference shares - MagiCap Venture Capital Co., Ltd.	<u>9,175</u>	<u>13,149</u>
	<u>\$ 990,554</u>	<u>\$ 581,408</u>
		(Concluded)

Note: One-Seven Trading Co., Ltd. was renamed as Taiwan Submarine Cable Co., Ltd. on December 31, 2020.

These investments in equity instruments are held for medium to long-term strategic purposes, and the Group expects to profit from the shares through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In 2020 and 2019, the Group acquired investments in equity instruments for medium to long-term strategic purposes of \$94,554 thousand and \$50,551 thousand, respectively; the management designated these investments as at FVTOCI.

In 2020 and 2019, the Group sold its shares in order to manage credit concentration risk. The sold shares had a fair value of \$4,694 thousand and \$46,270 thousand, respectively, and the related unrealized valuation gain (loss) of \$4,512 thousand and \$(11,098) thousand, respectively, was transferred from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 36,000</u>	<u>\$ 41,986</u>

- As of December 31, 2020 and 2019, the interest rates for time deposits with original maturity of more than 3 months were from 0.55% to 1.05% and 0.80% to 1.05%, respectively.
- Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 27,225	\$ 39,257
Less: Allowance for impairment loss	<u>(728)</u>	<u>(684)</u>
	<u>\$ 26,497</u>	<u>\$ 38,573</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 293,467	\$ 506,783
Less: Allowance for impairment loss	<u>(2,934)</u>	<u>(5,067)</u>
	<u>\$ 290,533</u>	<u>\$ 501,716</u>
<u>Other receivables</u>		
Tax refund receivable	\$ -	\$ 1,212
Earned revenue receivable	<u>2,943</u>	<u>8,084</u>
	<u>\$ 2,943</u>	<u>\$ 9,296</u>

Trade receivables at amortized cost

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

Other than government agencies, the Group transacted with customers from diverse industries that are unrelated to each other; thus, no concentration of credit risk was observed.

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 the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted 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 following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2020

	Not Past Due
Expected credit loss rate	1%
Gross carrying amount	\$ 320,692
Loss allowance (Lifetime ECLs)	<u>(3,662)</u>
Amortized cost	<u>\$ 317,030</u>

December 31, 2019

	Not Past Due
Expected credit loss rate	1%
Gross carrying amount	\$ 546,040
Loss allowance (Lifetime ECLs)	<u>(5,751)</u>
Amortized cost	<u>\$ 540,289</u>

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Balance at January 1	\$ 5,751	\$ 4,019
Add: Amounts estimated	-	2,607
Less: Amounts written off	-	(875)
Less: Amounts recovered	<u>(2,089)</u>	<u>-</u>
Balance at December 31	<u>\$ 3,662</u>	<u>\$ 5,751</u>

11. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	<u>December 31</u>	
	2020	2019
<u>Amounts due from customers for construction contracts</u>		
Construction costs incurred plus recognized profits less recognized losses to date	\$ -	\$ 4,579
Less: Progress billings	<u>-</u>	<u>(1,376)</u>
	<u>\$ -</u>	<u>\$ 3,203</u>
		(Continued)

	December 31	
	2020	2019
<u>Amounts due to customers for construction contracts</u>		
Progress billings	\$ 4,426	\$ 108,644
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>(2,360)</u>	<u>(97,842)</u>
	<u>\$ 2,066</u>	<u>\$ 10,802</u> (Concluded)

12. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 271,368	\$ 270,674
Work in progress	279,152	192,275
Raw materials	205,411	354,730
Agricultural products	<u>1,643</u>	<u>2,051</u>
	<u>\$ 757,574</u>	<u>\$ 819,730</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$2,394,888 thousand and \$2,504,173 thousand, respectively.

The cost of goods sold included reversal of write-downs of inventories of \$9,500 thousand and inventory write-downs of \$1,850 thousand for the year ended December 31, 2020. The cost of goods sold included reversal of write-downs of inventories of \$32,500 thousand and inventory write-downs of \$4,812 thousand for the year ended December 31, 2019. Previous write-downs were reversed as a result of the sale of obsolete and slow-moving inventories which were previously written down.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2020	2019
The Company	Holdkey (Belize) Investments Limited	Investment	100	100
	Muchonfarm Inc. (Note)	Agriculture	100	100

Note: Muchorganic Incorporated Limited was renamed as Muchonfarm Inc. on May 8, 2020.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2020	2019
Associates that are not individually material	\$ <u>570</u>	\$ <u>366</u>

Aggregate Information of Associates that are Not Individually Material

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Total comprehensive income (loss) for the year	\$ <u>228</u>	\$ <u>(7,024)</u>

The Group held a 21% interest in its associate, Commodity Cables, Inc. In June 2019, the Group sold all of its interest in Commodity Cables, Inc. This transaction resulted in the recognition of a loss in profit or loss, which was calculated as follows:

Proceeds from disposal (received in June 2019)	\$ 776
Less: Carrying amount of investment at the date of disposal	<u>(7,315)</u>
Loss on disposal of associate	\$ <u>(6,539)</u>

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited.

15. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Group

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Lease Improvement	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 326,749	\$ 1,414,117	\$ 488,239	\$ 59,900	\$ 2,683	\$ 2,291,688
Additions	196,831	31,328	8,274	21,346	-	257,779
Disposals	-	(71,354)	(276,754)	(7,955)	-	(356,063)
Transferred from prepaid equipment	<u>-</u>	<u>2,633</u>	<u>16,385</u>	<u>11,383</u>	<u>-</u>	<u>30,401</u>
Balance at December 31, 2020	\$ <u>523,580</u>	\$ <u>1,376,724</u>	\$ <u>236,144</u>	\$ <u>84,674</u>	\$ <u>2,683</u>	\$ <u>2,223,805</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ (616,137)	\$ (444,269)	\$ (27,734)	\$ (1,614)	\$ (1,089,754)
Disposals	-	65,278	276,608	5,503	-	347,389
Depreciation expense	<u>-</u>	<u>(38,300)</u>	<u>(19,900)</u>	<u>(7,869)</u>	<u>(344)</u>	<u>(66,413)</u>
Balance at December 31, 2020	\$ <u>-</u>	\$ <u>(589,159)</u>	\$ <u>(187,561)</u>	\$ <u>(30,100)</u>	\$ <u>(1,958)</u>	\$ <u>(808,778)</u>
Balance at December 31, 2020, net	\$ <u>523,580</u>	\$ <u>787,565</u>	\$ <u>48,583</u>	\$ <u>54,574</u>	\$ <u>725</u>	\$ <u>1,415,027</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Lease Improvement	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 326,749	\$ 1,413,461	\$ 679,227	\$ 139,731	\$ 2,683	\$ 2,561,851
Additions	-	11,675	8,240	10,579	-	30,494
Disposals	-	(13,359)	(200,446)	(91,490)	-	(305,295)
Transferred from prepaid equipment	-	2,340	1,218	1,080	-	4,638
Balance at December 31, 2019	<u>\$ 326,749</u>	<u>\$ 1,414,117</u>	<u>\$ 488,239</u>	<u>\$ 59,900</u>	<u>\$ 2,683</u>	<u>\$ 2,291,688</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ (588,771)	\$ (599,299)	\$ (107,076)	\$ (1,202)	\$ (1,296,348)
Disposals	-	13,359	200,320	91,131	-	304,810
Impairment Loss	-	-	(13,680)	(1,038)	-	(14,718)
Depreciation expense	-	(40,725)	(31,610)	(10,751)	(412)	(83,498)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (616,137)</u>	<u>\$ (444,269)</u>	<u>\$ (27,734)</u>	<u>\$ (1,614)</u>	<u>\$ (1,089,754)</u>
Balance at December 31, 2019, net	<u>\$ 326,749</u>	<u>\$ 797,980</u>	<u>\$ 43,970</u>	<u>\$ 32,166</u>	<u>\$ 1,069</u>	<u>\$ 1,201,934</u>
						(Concluded)

In July 2017, Muchonfarm Inc. purchased a piece of land located in Qimei Section of Ruisui Township, Hualien County, with the purchase price of \$24,376 thousand for organic farming. Because it is an agricultural land, the land use right is temporarily registered under the name of Hsin-Cheng Lee, the chairman of Muchonfarm Inc. Muchonfarm Inc. entered into an agreement with Hsin-Cheng Lee and signed a contract of borrowing other's name for real estate registration, which stated that Muchonfarm Inc. is the legal owner of the abovementioned land.

In 2019, the Group evaluated that the economic benefits of equipment used for the production of some of the products had decreased, thereby resulting in the recoverable amount being lower than the carrying amount. Therefore, the Group recognized an impairment loss of \$14,718 thousand.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	6-55 years
Machinery and equipment	4-20 years
Other equipment	3-16 years
Lease improvements	4-11 years

The major parts of the buildings held by the Group include plants and fire extinguishing equipment, which are depreciated over their estimated useful lives of 50 years and 10 years, respectively.

Refer to Note 29 for the carrying amount of property, plant and equipment pledged for general banking facilities granted to the Group.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 4,338	\$ 5,052
Buildings	1,670	16,691
Transportation equipment	<u>3,258</u>	<u>5,015</u>
	<u>\$ 9,266</u>	<u>\$ 26,758</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 11,990</u>
Depreciation charge for right-of-use assets		
Land	\$ 714	\$ 654
Buildings	4,275	4,568
Transportation equipment	<u>1,757</u>	<u>1,515</u>
	<u>\$ 6,746</u>	<u>\$ 6,737</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	<u>\$ 3,506</u>	<u>\$ 6,941</u>
Non-current	<u>\$ 5,899</u>	<u>\$ 19,958</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.465%	1.465%
Buildings	1.195%-1.465%	1.465%
Transportation equipment	1.465%	1.465%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 2,977</u>	<u>\$ 3,255</u>
Expenses relating to low-value asset leases	<u>\$ 101</u>	<u>\$ 95</u>
Total cash outflow for leases	<u>\$ (7,059)</u>	<u>\$ (6,982)</u>

The Group's leases of certain buildings, transportation equipment, etc., qualify as short-term leases and leases of certain office equipment qualify as low-value asset 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.

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 17.

17. INVESTMENT PROPERTIES

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 130,168	\$ 91,730	\$ 221,898
Additions	-	529	529
Disposals	-	(593)	(593)
Balance at December 31, 2020	<u>\$ 130,168</u>	<u>\$ 91,666</u>	<u>\$ 221,834</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ (26,742)	\$ (26,742)
Disposals	-	593	593
Depreciation expenses	-	(2,749)	(2,749)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (28,898)</u>	<u>\$ (28,898)</u>
Balance at December 31, 2020, net	<u>\$ 130,168</u>	<u>\$ 62,768</u>	<u>\$ 192,936</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 130,168	\$ 90,258	\$ 220,426
Additions	-	2,000	2,000
Disposals	-	(528)	(528)
Balance at December 31, 2019	<u>\$ 130,168</u>	<u>\$ 91,730</u>	<u>\$ 221,898</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ (24,633)	\$ (24,633)
Disposals	-	528	528
Depreciation expenses	-	(2,637)	(2,637)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (26,742)</u>	<u>\$ (26,742)</u>
Balance at December 31, 2019, net	<u>\$ 130,168</u>	<u>\$ 64,988</u>	<u>\$ 195,156</u>

Investment properties are depreciated on a straight-line basis over their estimated useful lives of 6 to 50 years.

The fair value of investment properties was \$322,019 thousand and \$322,253 thousand as of December 31, 2020 and 2019, respectively. The fair value was not evaluated by an independent appraiser; the Group evaluated it with reference to the market evidence of similar real estate transaction prices.

The investment properties were leased out for 1 to 3 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2020 and 2019, guarantee deposits received by the Group for operating lease contracts were both amounted to \$3,932 thousand.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2020	2019
Year 1	\$ 15,183	\$ 14,504
Year 2	1,855	1,816
Year 3	<u>714</u>	<u>-</u>
	<u>\$ 17,752</u>	<u>\$ 16,320</u>

The Group has freehold interest in all of its investment property. Refer to Note 29 for the carrying amount of investment properties pledged to secure general banking facilities granted to the Group.

18. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Prepayments	\$ 33,001	\$ 48,017
Temporary payments and payments on behalf of others	989	1,158
Others	<u>6,537</u>	<u>759</u>
	<u>\$ 40,527</u>	<u>\$ 49,934</u>
<u>Non-current</u>		
Refundable deposits	\$ 11,741	\$ 10,109
Prepayments for equipment	15,427	30,401
Others	<u>39</u>	<u>43</u>
	<u>\$ 27,207</u>	<u>\$ 40,553</u>

19. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Other payables		
Payable for purchase of equipment	\$ 2,685	\$ 2,984
Salaries or bonuses	40,180	33,751
Payable for commissions	3,831	4,255
Payable for retirement and others	<u>38,511</u>	<u>42,475</u>
	<u>\$ 85,207</u>	<u>\$ 83,465</u>
Other liabilities		
Contract liabilities (Note)	\$ 18,068	\$ 13,491
Temporary receipts	4,928	2,728
Others	<u>728</u>	<u>642</u>
	<u>\$ 23,724</u>	<u>\$ 16,861</u>
<u>Non-current</u>		
Other liabilities		
Net defined benefit liabilities (Note 20)	\$ 30,744	\$ 31,207
Guarantee deposits received (Note 17)	<u>3,932</u>	<u>3,932</u>
	<u>\$ 34,676</u>	<u>\$ 35,139</u>

Note: Contract liabilities under other liabilities are collections in advance for the sale of goods.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and Muchonfarm Incorporated Limited adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company and Muchonfarm Incorporated Limited make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the 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 the Defined Benefit Obligation	\$ 84,492	\$ 88,411
Fair value of the plan assets	<u>(53,748)</u>	<u>(57,204)</u>
Deficit	<u>30,744</u>	<u>31,207</u>
Net defined benefit liabilities	<u>\$ 30,744</u>	<u>\$ 31,207</u>

Movements in net defined benefit liabilities (assets) 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	\$ 84,301	\$ (56,459)	\$ 27,842
Service cost			
Current service cost	857	-	857
Net interest expense (income)	<u>843</u>	<u>(570)</u>	<u>273</u>
Recognized in profit or loss	<u>1,700</u>	<u>(570)</u>	<u>1,130</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,127)	(2,127)
Actuarial (gain) loss - changes in demographic assumptions	306	-	306
Actuarial (gain) loss - changes in financial assumptions	2,181	-	2,181
Actuarial (gain) loss - experience adjustments	<u>3,010</u>	<u>-</u>	<u>3,010</u>
Recognized in other comprehensive income	<u>5,497</u>	<u>(2,127)</u>	<u>3,370</u>
Contributions from the employer	-	(1,135)	(1,135)
Benefits paid	<u>(3,087)</u>	<u>3,087</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 88,411</u>	<u>\$ (57,204)</u>	<u>\$ 31,207</u>
Balance at January 1, 2020	\$ 88,411	\$ (57,204)	\$ 31,207
Service cost			
Current service cost	810	-	810
Net interest expense (income)	<u>663</u>	<u>(433)</u>	<u>230</u>
Recognized in profit or loss	<u>1,473</u>	<u>(433)</u>	<u>1,040</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,880)	(1,880)
Actuarial (gain) loss - changes in demographic assumptions	229	-	229
Actuarial (gain) loss - changes in financial assumptions	2,016	-	2,016
Actuarial (gain) loss - experience adjustments	<u>(769)</u>	<u>-</u>	<u>(769)</u>
Recognized in other comprehensive income	<u>1,476</u>	<u>(1,880)</u>	<u>(404)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ -	\$ (1,099)	\$ (1,099)
Benefits paid	<u>(6,868)</u>	<u>6,868</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 84,492</u>	<u>\$ (53,748)</u>	<u>\$ 30,744</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	\$ 781	\$ 801
Selling and marketing expenses	167	179
General and administrative expenses	62	102
Research and development expenses	<u>30</u>	<u>48</u>
	<u>\$ 1,040</u>	<u>\$ 1,130</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate 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 salaries 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(s)	0.50%	0.75%
Expected rate(s) of salary increase	2%	2%

If possible reasonable change 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(s)		
0.25% increase	\$ <u>(2,017)</u>	\$ <u>(2,183)</u>
0.25% decrease	\$ <u>2,090</u>	\$ <u>2,264</u>
Expected rate(s) of salary increase		
0.25% increase	\$ <u>2,023</u>	\$ <u>2,196</u>
0.25% decrease	\$ <u>(1,963)</u>	\$ <u>(2,129)</u>

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	\$ <u>1,104</u>	\$ <u>1,100</u>
The average duration of the defined benefit obligation	9.6 years	10 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of authorized shares (in thousands)	<u>320,000</u>	<u>320,000</u>
Amount of authorized shares	\$ <u>3,200,000</u>	\$ <u>3,200,000</u>
Number of issued and fully paid shares (in thousands)	<u>240,865</u>	<u>240,865</u>
Amount of issued and fully paid shares	\$ <u>2,408,647</u>	\$ <u>2,408,647</u>

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

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	\$ 355,183	\$ 427,441
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interest in subsidiaries (2)	159	159
Arising from share of changes in capital surplus of associates	<u>4,035</u>	<u>4,035</u>
	<u>\$ 359,377</u>	<u>\$ 431,635</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using equity method.

c. Retained earnings and dividends policy

The Company considers the needs of the environment and the characteristics of the industry and long-term financial planning, dividend policy, measure of investment funds, financial structure, and surplus situation before it decides on the amount and type of surplus distribution.

Under the dividend policy as set forth in the Articles, when the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting losses of previous years. The Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profit, first set aside 10% of such profit as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. In addition to the aforesaid legal reserve, the Company appropriates another sum as a special reserve. Finally, 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 of shareholders. Cash dividends shall not be less than 10% of total dividends distributed. For the policies on distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 23-h.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This 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.

Under Order No. 1010012865, Order No. 1010047490 and Order No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve.

The appropriation of earnings for 2019 and compensation of deficits for 2018 were approved in the shareholders' meetings on June 29, 2020 and June 24, 2019, respectively, were as follows:

	<u>Appropriation of Earnings</u>	<u>Compensation of Deficits</u>
	For Year 2019	For Year 2018
Legal reserve	\$ <u>6,794</u>	\$ <u>-</u>
Special reserve (reversed)	\$ <u>(210,093)</u>	\$ <u>84,839</u>

The Company's shareholders in their meetings on June 29, 2020 and June 24, 2019 also resolved to issue cash dividends from the capital surplus of \$72,258 thousand and \$72,260 thousand, respectively.

The appropriations of earnings for 2020 are proposed by the Company's board of directors and subject to the resolution of the shareholders' meeting to be held on June 28, 2021.

22. REVENUE

	<u>For the Year Ended December 31</u>	
	2020	2019
Wires and cables revenue	\$ 2,802,428	\$ 2,736,852
Rental revenue	15,991	15,749
Others	<u>4,528</u>	<u>5,135</u>
	<u>\$ 2,822,947</u>	<u>\$ 2,757,736</u>

Contract Balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and trade receivables (Note 10)	\$ <u>317,030</u>	\$ <u>540,289</u>	\$ <u>386,504</u>
Contract assets - current			
Sale of wires and cables	\$ <u>240,070</u>	\$ <u>155,721</u>	\$ <u>-</u>

23. NET PROFIT

a. Interest income

	<u>For the Year Ended December 31</u>	
	2020	2019
Bank deposits	\$ 2,732	\$ 5,898
Others	<u>26</u>	<u>20</u>
	<u>\$ 2,758</u>	<u>\$ 5,918</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Dividends	\$ 28,766	\$ 21,284
Others	<u>9,641</u>	<u>10,612</u>
	<u>\$ 38,407</u>	<u>\$ 31,896</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL	\$ 23,067	\$ 19,998
Net foreign exchange gains (losses)	1,770	(1,815)
(Loss) gain on disposal of property, plant and equipment	(8,674)	1,432
Loss on disposal of associates	-	(6,539)
Impairment loss on property, plant and equipment	-	(14,718)
Others	<u>(3,675)</u>	<u>(6,384)</u>
	<u>\$ 12,488</u>	<u>\$ (8,026)</u>

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	\$ 319	\$ 386
Interest on deposits	<u>41</u>	<u>41</u>
	<u>\$ 360</u>	<u>\$ 427</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 70,956	\$ 86,888
Operating expenses	<u>4,996</u>	<u>6,022</u>
	<u>\$ 75,952</u>	<u>\$ 92,910</u>
An analysis of amortization by function		
Operating costs	<u>\$ 17</u>	<u>\$ 17</u>

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2020	2019
Direct operating expenses of investment properties generating rental income	<u>\$ 4,698</u>	<u>\$ 5,330</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 5,861	\$ 5,494
Defined benefit plans (Note 20)	<u>1,040</u>	<u>1,130</u>
	6,901	6,624
Other employee benefits	<u>190,256</u>	<u>175,828</u>
Total employee benefits expense	<u>\$ 197,157</u>	<u>\$ 182,452</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 143,181	\$ 134,150
Operating expenses	<u>53,976</u>	<u>48,302</u>
	<u>\$ 197,157</u>	<u>\$ 182,452</u>

h. Compensation of employees and remuneration of directors

According to the Company's Articles, where the Company made a profit in a fiscal year, it distributes compensation of employees at the rate of no less than 1% and no higher than 5% and remuneration of directors at the rate of no higher than 2.5% of net profit before income tax. The compensation of employees is calculated based on the remaining balance of the current year's profit (i.e., profit before income tax prior to the distribution of compensation of employees and remuneration of directors) minus accumulated deficits.

The compensation of employees and remuneration of directors for the year ended December 31, 2020 are subject to the approval by the Company's board of directors. The compensation of employees and remuneration of directors for the year ended December 31, 2019 were approved by the Company's board of directors on May 12, 2020 as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	2.93%	4.36%
Remuneration of directors	1.17%	2.16%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 9,000	\$ 3,800
Remuneration of directors	3,600	1,880

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 compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in 2019 and 2018 in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

i. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2020	2019
Foreign exchange gains	\$ 6,807	\$ 2,500
Foreign exchange losses	<u>(5,037)</u>	<u>(4,315)</u>
	<u>\$ 1,770</u>	<u>\$ (1,815)</u>

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Current tax		
In respect of the current year	\$ 45,496	\$ 4,965
Adjustments for prior year	-	(1,049)
Deferred tax		
In respect of the current year	<u>6,687</u>	<u>9,559</u>
Income tax expense recognized in profit or loss	<u>\$ 52,183</u>	<u>\$ 13,475</u>

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Profit before tax	<u>\$ 294,163</u>	<u>\$ 81,417</u>
Income tax expense calculated at the statutory rate	\$ 58,833	\$ 16,283
Non-deductible expenses in determining taxable income	-	38
Tax-exempt income	(5,753)	(4,257)
Unrecognized deductible temporary differences	(897)	2,460
Adjustments for prior years' tax	<u>-</u>	<u>(1,049)</u>
Income tax expense recognized in profit or loss	<u>\$ 52,183</u>	<u>\$ 13,475</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	\$ <u>81</u>	\$ <u>(674)</u>
Total income tax expense (benefit) recognized in other comprehensive income	\$ <u>81</u>	\$ <u>(674)</u>

c. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	\$ <u>42,955</u>	\$ <u>1,970</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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized investment losses	\$ 3,630	\$ 311	\$ -	\$ 3,941
Inventory write-downs	18,000	(1,900)	-	16,100
Unrealized valuation losses	2,061	(2,061)	-	-
Defined benefit plans	7,773	(12)	(81)	7,680
Others	<u>887</u>	<u>(472)</u>	<u>-</u>	<u>415</u>
	<u>\$ 32,351</u>	<u>\$ (4,134)</u>	<u>\$ (81)</u>	<u>\$ 28,136</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized valuation gains	\$ <u>-</u>	\$ <u>2,553</u>	\$ <u>-</u>	\$ <u>2,553</u>

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized investment losses	\$ 3,229	\$ 401	\$ -	\$ 3,630
Inventory write-downs	24,500	(6,500)	-	18,000
Unrealized valuation losses	6,060	(3,999)	-	2,061
Defined benefit plans	7,100	(1)	674	7,773
Others	<u>347</u>	<u>540</u>	<u>-</u>	<u>887</u>
	<u>\$ 41,236</u>	<u>\$ (9,559)</u>	<u>\$ 674</u>	<u>\$ 32,351</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2020	2019
Deductible temporary differences		
Unrealized investment losses	\$ 326,643	\$ 325,267
Impairment of assets	<u>29,299</u>	<u>35,160</u>
	<u>\$ 355,942</u>	<u>\$ 360,427</u>
Loss carryforwards		
Expiry in 2020	\$ -	\$ 2,323
Expiry in 2021	4,876	4,876
Expiry in 2022	4,512	4,512
Expiry in 2023	2,893	2,893
Expiry in 2024	7,905	7,905
Expiry in 2025	5,984	5,984
Expiry in 2026	2,007	2,007
Expiry in 2027	3,536	3,536
Expiry in 2028	1,965	1,965
Expiry in 2029	2,282	2,282
Expiry in 2030	<u>1,877</u>	<u>-</u>
	<u>\$ 37,837</u>	<u>\$ 38,283</u>

- f. Income tax assessments

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

The income tax returns of Muchonfarm Inc. through 2019 have been assessed and cleared by the tax authorities.

25. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2020	2019
Profit for the year attributable to owners of the Company	<u>\$ 241,980</u>	<u>\$ 67,942</u>

Weighted Average Number of Ordinary Shares Outstanding

(In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	240,865	240,865
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued	<u>849</u>	<u>443</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>241,714</u>	<u>241,308</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

In consideration of the industry dynamics, the Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital assets purchases, research and development activities, and dividend payments associated with its existing operations over the next 12 months.

27. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Gold investment account	\$ 167,508	\$ -	\$ -	\$ 167,508
Financial assets at FVTOCI				
Listed securities in the ROC				
Equity securities	876,443	-	-	876,443
Unlisted securities in the ROC				
Equity securities	-	-	231,660	231,660
Preference shares	-	-	9,175	9,175
	<u>\$ 1,043,951</u>	<u>\$ -</u>	<u>\$ 240,835</u>	<u>\$ 1,284,786</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Gold investment account	\$ 144,441	\$ -	\$ -	\$ 144,441
Financial assets at FVTOCI				
Listed securities in the ROC				
Equity securities	498,706	-	-	498,706
Unlisted securities in the ROC				
Equity securities	-	-	188,232	188,232
Preference shares	-	-	13,149	13,149
	<u>\$ 643,147</u>	<u>\$ -</u>	<u>\$ 201,381</u>	<u>\$ 844,528</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

	Financial Assets at FVTOCI Equity Instruments
<u>Financial assets</u>	
Balance at January 1, 2020	\$ 201,381
Disposals/settlements	(4,694)
Return of shares after capital reduction	(9,253)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>53,401</u>
Balance at December 31, 2020	<u>\$ 240,835</u>

For the year ended December 31, 2019

	Financial Assets at FVTOCI Equity Instruments
<u>Financial assets</u>	
Balance at January 1, 2019	\$ 207,152
Disposals/settlements	(29,179)
Return of shares after capital reduction	(16,986)
Transferred to Level 1	(21,290)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>61,684</u>
Balance at December 31, 2019	<u>\$ 201,381</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Domestic unlisted shares were valued using the market approach. The estimates and assumptions used by the Group under the market approach are consistent with those used by market participants in the pricing of financial instruments.

c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 167,508	\$ 144,441
Financial assets at amortized cost (Note 1)	1,052,596	1,274,217
Financial assets at FVTOCI	1,117,278	700,087
<u>Financial liabilities</u>		
Amortized cost (Note 2)	311,979	444,980

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables, amounts due from customers for construction contracts, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise notes payable, trade payables, amounts due to customers for constructions contracts, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors.

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

With regard to the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation), refer to Note 33.

Sensitivity analysis

The Group is mainly exposed to the USD and JPY.

The following table details the Group's sensitivity to a 2% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 2% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period under the assumption of a 2% change in foreign currency rates. A positive number below indicates an increase/decrease in pre-tax profit/loss when New Taiwan dollars strengthened by 2% against the relevant currency. For a 2% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit/loss and the balances below would be negative.

	USD Impact		JPY Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Profit or loss	\$ (457)	\$ 1,436	\$ 152	\$ -

The amounts were mainly attributable to the outstanding receivables and payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency risk in 2020 has not changed significantly from the prior year.

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:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 487,200	\$ 557,867
Cash flow interest rate risk		
Financial assets	232,731	152,706

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A sensitivity rate of 0.25% increase or decrease was 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 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit/loss for the years ended December 31, 2020 and 2019 would have increased/decreased by \$582 thousand and \$382 thousand, respectively, which was mainly a result of variable-rate bank deposits.

The Group's sensitivity to interest rate risk in 2020 has not changed significantly from the prior year.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group has appointed a special team to monitor the price risk and make plans to manage the price risk.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to the price risks of the aforementioned investments at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,675 thousand and \$1,444 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$8,764 thousand and \$4,987 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to investments in equity securities in 2020 has not changed significantly from the prior year.

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 will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group adopted a policy of only dealing with government agencies and creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above.

Refer to Note 10 for impairment assessment of individual customer receivables.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities of \$1,143,507 thousand and \$1,113,198 thousand, respectively.

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Young Fast Optoelectronics Co., Ltd. (Young Fast)	Other related party (the Company is the corporate director)
Taiwan SRU Corp. Ltd. (SRU)	Other related party (related party in substance)
Bond-Galv Industrial Co., Ltd. (Bond-Galv)	Other related party (corporate director of the Company)

b. Operating revenue

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Sales	Other related parties	\$ <u>294</u>	\$ <u>90</u>
Rental revenue	Other related parties		
	Young Fast	\$ 10,081	\$ 10,039
	SRU	<u>1,719</u>	<u>1,719</u>
		<u>\$ 11,800</u>	<u>\$ 11,758</u>

Sales were made at discounted market price to reflect the quantity of goods sold and the relationships between the parties.

Terms of sales from related parties were similar to those from third parties.

The Group rented houses to related parties. The amount of rent was agreed by both parties.

Terms of rent collection from related parties were similar to those from third parties.

As of December 31, 2020 and 2019, guarantee deposits received from the renting of houses to related parties were as follows:

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
Guarantee deposits received	Other related parties		
	Young Fast	\$ 3,000	\$ 3,000
	SRU	<u>450</u>	<u>450</u>
		<u>\$ 3,450</u>	<u>\$ 3,450</u>

c. Purchases of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 131,933</u>	<u>\$ 72,540</u>

Purchases were made at discounted market prices to reflect the quantity of goods purchased and the relationships between the parties.

Terms of purchases from related parties were similar to those from third parties.

d. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade payables to related parties	Other related parties Young Fast	\$ -	\$ 27,069

The outstanding payables to related parties were unsecured.

e. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 23,579	\$ 15,263

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been mortgaged as collateral for long- and short-term bank credit lines, performance guaranty, and a deposit for management and maintenance of public open space:

	December 31	
	2020	2019
Financial assets at amortized cost - current		
Pledged time deposits	\$ -	\$ 2,986
Property, plant and equipment		
Freehold land	170,737	170,737
Buildings, net	450,448	468,147
Investment properties		
Freehold land	51,692	51,692
Buildings, net	<u>21,417</u>	<u>22,031</u>
	<u>\$ 694,294</u>	<u>\$ 715,593</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to the following:

	December 31	
	2020	2019
USD	<u>\$ 3,423</u>	<u>\$ 3,257</u>
JPY	<u>\$ 36,600</u>	<u>\$ 35,352</u>

- b. Unrecognized commitments for purchase of property, plant and equipment amounted to the following:

	December 31	
	2020	2019
NTD	<u>\$ 54,123</u>	<u>\$ 24,859</u>

- c. Unrecognized contractual commitments of contracts entered into between the Group and the subcontractors are as follows:

	December 31	
	2020	2019
NTD	<u>\$ 190,624</u>	<u>\$ 221,273</u>

- d. In accordance with the customs import tariff of the post-release duty payment for imported goods, the bank issued a letter of guarantee on behalf of the Group to the customs. The endorsement/guarantee amount was as follows:

	December 31	
	2020	2019
NTD	<u>\$ 5,000</u>	<u>\$ 5,000</u>

31. SIGNIFICANT LOSSES FROM DISASTERS: NONE

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE

33. 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 of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 792	28.43	\$ 22,521
JPY	64,846	0.27	<u>17,787</u>
			<u>\$ 40,308</u>
Non-monetary items			
Investments accounted for using the equity method			
HKD	155	3.67	<u>\$ 570</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,590	28.53	\$ 45,349
JPY	36,650	0.28	<u>10,200</u>
			<u>\$ 55,549</u>

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,246	29.93	<u>\$ 127,073</u>
Non-monetary items			
Investments accounted for using the equity method			
HKD	95	3.85	<u>\$ 366</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,840	30.03	<u>\$ 55,249</u>

The Group is mainly exposed to the USD and JPY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rate between the respective functional currency and the presentation currency was disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Functional Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	<u>\$ 1,770</u>	1 (NTD:NTD)	<u>\$ (1,815)</u>

34. 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 controlled entities) (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.
- 10) Intercompany relationships and significant intercompany transactions: As the transaction amounts are not significant, they are not separately disclosed.

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: None.

- 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: None.
- 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 period 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 period 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 4)

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

a. Segment revenue and results:

The information of the Group's revenue and results by segment was as follows:

For the year ended December 31, 2020

	Wires and Cables Segment	Others Segment	Total
Segment revenue	\$ 2,802,428	\$ 20,519	<u>\$ 2,822,947</u>
Segment income	233,708	6,934	\$ 240,642
Interest income			2,758
Other gains and losses			50,895
Finance costs			(360)
Share of profit of associates accounted for using the equity method			<u>228</u>
Profit before tax			<u>\$ 294,163</u>

For the year ended December 31, 2019

	Wires and Cables Segment	Others Segment	Total
Segment revenue	\$ 2,736,852	\$ 20,884	<u>\$ 2,757,736</u>
Segment income	52,949	6,131	\$ 59,080
Interest income			5,918
Other gains and losses			23,870
Finance costs			(427)
Share of loss of associates accounted for using the equity method			<u>(7,024)</u>
Profit before tax			<u>\$ 81,417</u>

The revenue above was generated from transactions with external customers.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs, share of profit of associates, interest income, dividend income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, foreign exchange gains or losses, finance costs, other gains and losses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The amounts of the Group's assets and liabilities are not used in the management's decision-making; therefore, the amounts of assets and liabilities were zero.

c. Other segment information

	<u>Depreciation and Amortization</u>	
	<u>For the Year Ended December 31</u>	
	2020	2019
Wires and cables segment	<u>\$ 71,616</u>	<u>\$ 88,667</u>

d. 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.

	<u>For the Year Ended December 31</u>	
	2020	2019
Wires and cables segment	<u>\$ 2,802,428</u>	<u>\$ 2,736,852</u>

e. Geographical information

The Group mainly operates in Taiwan, Europe, USA, and Asia.

The Group's revenue from external customers by location is detailed below:

	Revenue from External Customers	
	For the Year Ended December 31	
	2020	2019
Taiwan	\$ 2,645,089	\$ 2,615,341
Europe	31,079	31,288
USA	44,306	92,197
Asia	102,473	18,131
Others	-	779
	<u>\$ 2,822,947</u>	<u>\$ 2,757,736</u>

f. 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	
	Sales	%	Sales	%
Customer A	\$ 1,517,943	54	\$ 1,194,682	43
Customer B	NA (Note)	NA (Note)	297,879	11

Note: The amount of revenue is less than 10% of the Group's revenue.

TABLE 1

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars/Shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	% of Ownership	Fair Value	
Hold-Key Electric Wire & Cable Co., Ltd.	G-Shank Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	565	\$ 11,696	0.31	\$ 11,696	
	Nishoku Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	164	17,876	0.26	17,876	
	Taiwan Cooperative Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	3,133	63,751	0.02	63,751	
	Global Mixed-Mode Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	70	11,165	0.08	11,165	
	Sinher Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	185	8,676	0.25	8,676	
	DrayTek Company	-	Financial assets at fair value through other comprehensive income - current	253	6,578	0.29	6,578	
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	56	2,512	0.03	2,512	
	Mega Financial Holding Company Ltd.	-	Financial assets at fair value through other comprehensive income - current	150	4,470	0.00	4,470	
	Young Fast Optoelectronics Co., Ltd.	The Company is the corporate director	Financial assets at fair value through other comprehensive income - non-current	20,415	698,187	13.49	698,187	
	MagiCap Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	73	9,175	1.78	9,175	
	Sol Young Enterprises Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	3,652	135,622	5.60	135,622	
	Bond-Galv Industrial Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	1,797	64,199	11.46	64,199	
	Fuzetec Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,091	51,532	3.47	51,532	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through other comprehensive income - non-current	743	9,976	3.32	9,976	
	Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	826	21,563	5.50	21,563	
	Taiwan Submarine Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	30	<u>300</u>	6.67	300	
					<u>\$ 1,117,278</u>			

TABLE 2

HOLD-KEY ELECTRIC WIRE & CABLE 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	
Hold-Key Electric Wire & Cable Co., Ltd.	Young Fast Optoelectronics Co., Ltd.	The Company is the corporate director	Purchase	\$ 131,933	6.65	Payment in 60 days after acceptance	Note	Equivalent	\$ -	-	

Note: It is an agreement between the two parties.

TABLE 3

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, U.S. Dollars and Hong Kong Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	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	% of Ownership	Carrying Amount			
Hold-Key Electric Wire & Cable Co., Ltd.	Holdkey (Belize) Investments Limited	Belize City	Investment	\$ 346,448 (US\$ 10,237) (HK\$ 1,000)	\$ 346,448 (US\$ 10,237) (HK\$ 1,000)	9,971	100.00	\$ 4,967	\$ 179	\$ 179	Subsidiary
	Muchonfarm Inc.	3F., No. 36-10, Sec. 1, Fuxing S. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Agriculture	87,250	87,250	13,000	100.00	50,533	(3,111)	(3,111)	Subsidiary
Holdkey (Belize) Investments Limited	Midori Mark (H.K.) Limited	Unit 2911, Tower 2 Metroplaza, 223 Hing Fong Rd., Kwai Fong, N.T., Hong Kong	Trading of various panels	US\$ 539	US\$ 539	2,325	21.83	570	1,046	228	

TABLE 4**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sol Young Enterprises Co., Ltd.	77,556,914	32.19

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Company based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) 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.