

**MICROELECTRONICS TECHNOLOGY,  
INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

MICROELECTRONICS TECHNOLOGY INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Additionally, if 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, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Microelectronics Technology Inc.

Representative:

March 17, 2021

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MICROELECTRONICS TECHNOLOGY, INC.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Microelectronics Technology Inc. and subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

### **Intangible assets - assessment of goodwill impairment**

#### Description

As of December 31, 2020, goodwill amounted to NT\$ 267,231 thousand. For information on evaluation of goodwill impairment, please refer to Note 6(10), impairment of non-financial assets. The Group estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, it has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management in order to obtain an understanding of the procedures in relation to identifying cash-generating units and estimating the future cash flows. Compared the financial forecast for the year ended December 31, 2021 with the budget approved by the Board of Directors to ensure they are consistent.
2. Interviewed with management in order to obtain an understanding of development plans and schedules of the projects.
3. Assessed the key assumption that management used to estimate future cash flows, including operating revenue growth rate and gross margin, and evaluated the parameters used in determining the discount rate, including the risk-free rate of return that was used to calculate cost of equity, industry's risk coefficient and long-term market return.

## **Allowance for inventory valuation losses**

### Description

Please refer to Note 6(6) for the details of inventories. As of December 31, 2020, the balances of inventories and allowance for inventory valuation losses amounted to NT\$1,125,802 thousand and NT\$117,611 thousand, respectively. Since inventory is material to the financial statements and the determination of net realisable value of the obsolete inventory usually involves management's subjective judgement, therefore, we determined valuation of inventories that are over a certain age and individually identified as obsolete or slow-moving as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of management policies on obsolete or slow-moving inventories, and verified the reasonableness of determining the obsolescence of inventory.
2. Tested the movements of inventories, and sampled individual inventory item numbers to check whether the classification of inventory aging is correct.
3. For obsolete or slow-moving inventories, sampled individual inventory item numbers to check progress of inventory clearance and evaluated the reasonableness of determining the allowance for inventory valuation losses

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Microelectronics Technology Inc. as at and for the years ended December 31, 2020 and 2019.

### ***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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

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Lin, Yu-Kuan

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Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2021

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,324,793	25	\$ 1,057,733	21
1110	Financial assets at fair value through profit or loss - current	6(2)	5,275	-	2,671	-
1136	Current financial assets at amortised cost	6(4)	27,260	-	28,235	1
1150	Notes receivable	6(5)	4,081	-	9,024	-
1170	Accounts receivable, net	6(5)	939,742	17	1,040,925	21
1180	Accounts receivable - related parties	6(5) and 7	29,008	1	74,209	1
1200	Other receivables		37,818	1	126,629	3
1210	Other receivables - related parties	7	340	-	385	-
130X	Inventories	6(6)	1,008,191	19	857,244	17
1410	Prepayments		74,798	1	48,217	1
11XX	<b>Total current assets</b>		<u>3,451,306</u>	<u>64</u>	<u>3,245,272</u>	<u>65</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss-non-current	6(2)	-	-	5,996	-
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	114,443	2	224,207	4
1600	Property, plant and equipment	6(7)	522,570	10	495,226	10
1755	Right-of-use assets	6(8) and 7	520,624	9	335,400	7
1780	Intangible assets	6(9)(10)	304,576	6	302,120	6
1840	Deferred income tax assets	6(28)	481,756	9	410,469	8
1900	Other non-current assets	7	4,508	-	5,534	-
15XX	<b>Total non-current assets</b>		<u>1,948,477</u>	<u>36</u>	<u>1,778,952</u>	<u>35</u>
1XXX	<b>Total Assets</b>		<u>\$ 5,399,783</u>	<u>100</u>	<u>\$ 5,024,224</u>	<u>100</u>

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**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current Liabilities</b>						
2100	Short-term borrowings	6(11)	\$ 368,098	7	\$ 396,748	8
2120	Financial liabilities at fair value through profit or loss - current	6(12)	876	-	273	-
2130	Current contract liabilities	6(21)	81,033	1	55,824	1
2170	Accounts payable		856,353	16	919,456	18
2200	Other payables	6(13)	363,447	7	358,092	7
2250	Provisions for liabilities - current	6(16)	75,744	1	10,935	-
2280	Current lease liabilities	6(8) and 7	81,730	2	31,712	1
2320	Long-term liabilities, current portion	6(14)	52,340	1	-	-
2399	Other current liabilities	7	8,896	-	5,942	-
21XX	<b>Total current liabilities</b>		<u>1,888,517</u>	<u>35</u>	<u>1,778,982</u>	<u>35</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	6(14)	339,089	6	125	-
2550	Provisions for liabilities - non-current	6(16)	2,327	-	1,665	-
2570	Deferred income tax liabilities	6(28)	107,094	2	102,055	2
2580	Non-current lease liabilities	6(8) and 7	439,656	8	279,320	6
2600	Other non-current liabilities	6(15)	203,570	4	206,622	4
25XX	<b>Total non-current liabilities</b>		<u>1,091,736</u>	<u>20</u>	<u>589,787</u>	<u>12</u>
2XXX	<b>Total Liabilities</b>		<u>2,980,253</u>	<u>55</u>	<u>2,368,769</u>	<u>47</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Share capital-common stock	6(17)	2,280,283	42	2,280,283	45
Capital Reserves						
3200	Capital surplus	6(18)	402,937	8	402,937	8
Retained Earnings						
3310	Legal reserve	6(19)	24,972	-	24,972	1
3320	Special reserve		193,426	4	193,426	4
3350	Unappropriated retained earnings (accumulated deficit)		( 117,336)	( 2)	2,413	-
Other Equity Interest						
3400	Other equity interest	6(20)	( 364,752)	( 7)	( 248,576)	( 5)
31XX	<b>Equity attributable to owners of the parent</b>		<u>2,419,530</u>	<u>45</u>	<u>2,655,455</u>	<u>53</u>
3XXX	<b>Total equity</b>		<u>2,419,530</u>	<u>45</u>	<u>2,655,455</u>	<u>53</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 5,399,783</u>	<u>100</u>	<u>\$ 5,024,224</u>	<u>100</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(21)	\$ 3,949,997	100	\$ 5,798,880	100
5000	Operating costs	6(6)	( 3,210,125)	( 81)	( 4,846,603)	( 84)
5900	Gross profit		<u>739,872</u>	<u>19</u>	<u>952,277</u>	<u>16</u>
	Operating expenses	6(26)				
6100	Selling expenses		( 139,715)	( 4)	( 303,175)	( 5)
6200	General and administrative expenses		( 132,418)	( 3)	( 129,067)	( 2)
6300	Research and development expenses		( 604,499)	( 15)	( 507,214)	( 9)
6450	Gain on reversal of expected credit impairment		( 249)	-	( 40)	-
6000	Total operating expenses		( 876,881)	( 22)	( 939,496)	( 16)
6900	Operating (loss) profit		( 137,009)	( 3)	12,781	-
	Non-operating income and expenses					
7100	Interest income	6(22)	6,487	-	8,439	-
7010	Other income	6(23)	65,663	2	26,025	-
7020	Other gains and losses	6(24)	( 270)	-	( 13,927)	-
7050	Finance costs	6(25)	( 15,416)	( 1)	( 22,793)	-
7000	Total non-operating income and expenses		<u>56,464</u>	<u>1</u>	( 2,256)	-
7900	<b>(Loss) profit before income tax</b>		( 80,545)	( 2)	10,525	-
7950	Income tax expense	6(28)	( 14,870)	-	( 8,841)	-
8200	<b>(Loss) profit for the year</b>		<u>(\$ 95,415)</u>	<u>( 2)</u>	<u>\$ 1,684</u>	<u>-</u>

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MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31					
		2020		2019			
		AMOUNT	%	AMOUNT	%		
<b>Other comprehensive income (loss)</b>							
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>							
8311	Losses on remeasurements of defined benefit plans	6(15)		(\$ 24,334)	( 1)	(\$ 7,925)	-
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)(20)		( 110,123)	( 3)	( 7,119)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>							
8361	Currency translation differences of foreign operations	6(20)		( 7,566)	-	( 56,420)	( 1)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(28)		1,513	-	11,284	-
8300	<b>Total other comprehensive loss for the year</b>			<u>(\$ 140,510)</u>	<u>( 4)</u>	<u>(\$ 60,180)</u>	<u>( 1)</u>
8500	<b>Total comprehensive loss for the year</b>			<u>(\$ 235,925)</u>	<u>( 6)</u>	<u>(\$ 58,496)</u>	<u>( 1)</u>
Loss attributable to:							
8610	Owners of the parent			(\$ 95,415)	( 2)	\$ 1,684	-
8620	Non-controlling interest			-	-	-	-
				<u>(\$ 95,415)</u>	<u>( 2)</u>	<u>\$ 1,684</u>	<u>-</u>
Comprehensive loss attributable to:							
8710	Owners of the parent			(\$ 235,925)	( 6)	(\$ 58,496)	( 1)
8720	Non-controlling interest			-	-	-	-
				<u>(\$ 235,925)</u>	<u>( 6)</u>	<u>(\$ 58,496)</u>	<u>( 1)</u>
(Loss) earnings per share ( in dollars )							
9750	Basic			(\$ 0.42)		\$ 0.01	
9850	Diluted			<u>(\$ 0.42)</u>		<u>\$ 0.01</u>	

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

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent						Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
		Share capital- common stock	Capital surplus, additional paid- in capital	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements		
<b>2019</b>									
Balance at January 1, 2019		\$ 2,280,283	\$ 402,937	\$ 19,761	\$ 83,446	\$ 166,556	(\$ 58,934)	(\$ 134,492)	\$ 2,759,557
Profit for the year		-	-	-	-	1,684	-	-	1,684
Other comprehensive loss for the 6(3) year		-	-	-	-	( 7,925)	( 45,136)	( 7,119)	( 60,180)
Total comprehensive loss		-	-	-	-	( 6,241)	( 45,136)	( 7,119)	( 58,496)
Appropriation of 2018 earnings 6(19)									
Legal reserve		-	-	5,211	-	( 5,211)	-	-	-
Special reserve		-	-	-	109,980	( 109,980)	-	-	-
Cash dividends		-	-	-	-	( 45,606)	-	-	( 45,606)
Disposal of financial assets at fair 6(3) value through other comprehensive income (loss)		-	-	-	-	2,895	-	( 2,895)	-
Balance at December 31, 2019		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	\$ 2,413	(\$ 104,070)	(\$ 144,506)	\$ 2,655,455
<b>2020</b>									
Balance at January 1, 2020		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	\$ 2,413	(\$ 104,070)	(\$ 144,506)	\$ 2,655,455
Loss for the period		-	-	-	-	( 95,415)	-	-	( 95,415)
Other comprehensive loss for the 6(3) period		-	-	-	-	( 24,334)	( 6,053)	( 110,123)	( 140,510)
Total comprehensive loss		-	-	-	-	( 119,749)	( 6,053)	( 110,123)	( 235,925)
Balance at December 31, 2020		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 117,336)	(\$ 110,123)	(\$ 254,629)	\$ 2,419,530

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

**MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) profit before tax		(\$ 80,545 )	\$ 10,525
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on reversal of expected credit impairment		249	40
Depreciation	6(7)(8)(26)	131,860	108,343
Amortization	6(9)(26)	30,870	29,787
Net gain on financial assets at fair value through profit or loss	6(2)(24)	( 2,541 )	( 2,288 )
Net loss on financial liabilities at fair value through profit or loss	6(12)(24)	603	178
Interest income	6(22)	( 6,487 )	( 8,439 )
Dividend income	6(23)	( 324 )	( 342 )
Interest expense	6(25)	15,416	22,793
Gain on disposal of property, plant and equipment	6(24)	( 1,476 )	( 16,482 )
Gains arising from lease modifications	6(24)	( 2,949 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4,943	59,338
Accounts receivable		147,102	401,344
Other receivables		88,637	558
Inventories		( 146,960 )	534,127
Prepayments		( 26,816 )	25,821
Changes in operating liabilities			
Accounts payable		( 65,237 )	( 875,636 )
Other payables		6,513	( 37,182 )
Provisions for liabilities		( 3,293 )	( 24,900 )
Contract liabilities-current		25,209	48,308
Other current liabilities		2,954	( 25,479 )
Accrued pension liabilities		( 50,682 )	( 14,042 )
Cash inflow generated from operations		67,046	236,372
Interest received		6,115	8,423
Dividend received		324	342
Interest paid		( 16,023 )	( 24,269 )
Income taxes paid		( 9,601 )	( 8,693 )
Net cash flows from operating activities		<u>47,861</u>	<u>212,175</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	5,953
Proceeds from (acquisition) disposal of financial assets at amortized cost		( 417 )	19,969
Acquisition of property, plant and equipment	6(30)	( 89,186 )	( 41,916 )
Proceeds from disposal of property, plant and equipment		7,018	60,932
Acquisition of intangible assets	6(9)	( 40,004 )	( 34,270 )
(Increase) decrease in guarantee deposits paid		( 94 )	4,964
Net cash flows (used in) from investing activities		<u>( 122,683 )</u>	<u>15,632</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(31)	1,432,722	2,298,841
Decrease in short-term borrowings	6(31)	( 1,462,996 )	( 2,462,139 )
Increase in long-term borrowings	6(31)	418,510	125
Repayment of principal portion of lease liabilities	6(31)	( 47,618 )	( 31,626 )
Cash dividends paid	6(19)	-	( 45,606 )
Net cash flows from (used in) financing activities		<u>340,618</u>	<u>( 240,405 )</u>
Effects due to changes in exchange rate		1,264	( 16,168 )
Net increase (decrease) in cash and cash equivalents		267,060	( 28,766 )
Cash and cash equivalents at beginning of year		1,057,733	1,086,499
Cash and cash equivalents at end of year		<u>\$ 1,324,793</u>	<u>\$ 1,057,733</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Microelectronics Technology Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the design, manufacture and sales of terrestrial microwave, satellite communication system products, and related customised products.

On January 1, 2011, the Company merged with the subsidiary, Global PCS Inc.. Under the merger, the Company was the surviving company while Global PCS Inc. was the dissolved company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 17, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)
Note : Earlier application from January 1, 2020 is allowed by FSC.	

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
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 International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC

Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets and liabilities at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
  - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2020	December 31, 2019
Microelectronics Technology, Inc.	Sasson International Holding, Inc.	Note 1	100.00	100.00
Sasson International Holding, Inc.	Welltop Technology Co., Ltd.	Note 1	100.00	100.00
Sasson International Holding, Inc.	Jupiter Network Corp. (Jupiter)	Note 1	100.00	100.00
Welltop Technology Co., Ltd.	MTI Laboratory, Inc.	Note 2	100.00	100.00
Welltop Technology Co., Ltd.	RadioComp ApS	Note 2	100.00	100.00
Jupiter Network Corp. (Jupiter)	Jupiter Technology (Wuxi) Inc.	Note 3	100.00	100.00

Note 1: Main operating activity is investments in the manufacturing and trading business.

Note 2: Research, development, design, manufacture and sales of personal wireless communication device, components of subsystem and system and wireless microwave communication system and equipment of electronic system.

Note 3: Main operating activities are design of satellite and microwave communication system equipment and its components, sales of self-made products and providing related technical services.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet

date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

#### (5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value, the changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective

interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property,

plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 40 years
Machinery and equipment	3 ~ 10 years
Office equipment	2 ~ 6 years
Transportation equipment	5 years
Leasehold improvements	3 years

(15) Leasing arrangements (lessor) – lease receivables/ operating leases

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments are comprised of fixed payments.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

- B. Goodwill arises in a business combination accounted for by applying the acquisition method and subsequently measured at the amount of cost less accumulated impairment loss.
- C. Acquired special technologies are amortised on a straight-line basis over their estimated useful lives of 5 years.

(17) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill will be assessed periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term notes without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Provisions

Provision are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that

have terms to maturity approximating to the terms of the related pension liability.

- ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group

and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(29) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells terrestrial microwave, satellite, and related customized products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

(d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### B. Technical services on product development

(a) The Group provides technical services on product development. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

#### C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense (mainly arisen from sales commissions) when incurred although the Group expects to recover those costs.

#### (30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

#### (31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (including goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(9) (10) for the information on goodwill impairment.

As of December 31, 2020, the Group's property, plant and equipment and intangible assets (including goodwill) amounted to \$522,570 and \$304,576, respectively.

B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2020, the Group recognised deferred tax assets amounting to \$481,756.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value.

As of December 31, 2020, the carrying amount of inventories was \$1,008,191.

D. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2020, the carrying amount of net defined benefit liabilities was \$108,274.

E. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies’ recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2020, the carrying amount of unlisted stocks without active market was \$114,443.

F. Calculation of lease liability

The Company needs to consider all relevant facts and circumstances that create an economic incentive for the lessees to exercise an option or not when determining the lease term. This includes anticipated modifications in all facts and circumstances from the commencement date of the lease to the option exercise date. Key considerations include the terms and conditions of the contract for the period covered by the options and the importance of the underlying assets to the operation of the lessees. Lessees are required to reassess the lease term when significant events or changes in circumstances occur that are within the control of the Company.

The lessee’s incremental borrowing rate used for discounted lease payments is determined by the market risk-free interest rate in a similar economic environment, and the estimated lessee credit risk discount and secured factors.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 277	\$ 299
Checking accounts and demand deposits	839,380	518,946
Time deposits	<u>485,136</u>	<u>538,488</u>
	<u>\$ 1,324,793</u>	<u>\$ 1,057,733</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Information on restricted cash reclassified as ‘Financial assets at amortised cost’ is provided in Note 8.

(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 5,275	\$ 2,671
Unlisted stocks	105,515	111,072
Valuation adjustments	( 105,515)	( 111,072)
	<u>\$ 5,275</u>	<u>\$ 2,671</u>
Non-current items :		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ -	\$ 5,996
Valuation adjustments	-	-
	<u>\$ -</u>	<u>\$ 5,996</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 2,541</u>	<u>\$ 2,288</u>

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Contract amount</u>	<u>Contract</u>	<u>Contract amount</u>	<u>Contract</u>
<u>Derivative instruments</u>	<u>(Notional principal)</u>	<u>period</u>	<u>(Notional principal)</u>	<u>period</u>
Current items:				
Foreign exchange swap transactions	USD 3,000	2020.11.12~ 2021.01.15	USD 5,000	2019.12.11~ 2020.01.15
Forward foreign exchange contracts	USD 7,900	2020.11.03~ 2021.04.28	USD 2,000	2019.12.13~ 2020.01.22

The Group entered into foreign exchange swap transactions and forward foreign exchange contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

C. Information on financial assets at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items :		
Equity instruments		
Unlisted stocks	\$ 346,139	\$ 357,057
Valuation adjustments	( 254,629)	( 144,506)
Net exchange differences	22,933	11,656
	<u>\$ 114,443</u>	<u>\$ 224,207</u>

A. The Group has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$114,443 and \$224,207 as at December 31, 2020 and 2019, respectively.

B. For year ended December 31, 2019, the Company sold emerging stocks with carrying amounts of \$3,058, and the accumulated gain on disposal of investments amounted to \$2,895.

C. For year ended December 31, 2020, the Group recognised impairment loss of \$110,123, after the assessment, as the global pandemic impacted the operation of investees, causing operational difficulty and operating capital to be insufficient, that resulted in the impairment.

D. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive loss	(\$ 110,123)	(\$ 7,119)
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ 2,895

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Time deposits	\$ 27,260	\$ 28,235

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest income	\$ 346	\$ 816

B. As of December 31, 2020 and 2019, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$27,260 and \$28,235, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 4,081	\$ 9,024
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 4,081</u>	<u>\$ 9,024</u>
Accounts receivable	\$ 940,020	\$ 1,042,178
Accounts receivable - related party	29,008	74,209
Less: Allowance for uncollectible accounts	( 278)	( 1,253)
	<u>\$ 968,750</u>	<u>\$ 1,115,134</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 635,677	\$ 4,081	\$ 898,114	\$ 9,024
Up to 90 days	315,461	-	145,858	-
91 to 180 days	15,642	-	20,937	-
Over 181 days	2,248	-	51,478	-
	<u>\$ 969,028</u>	<u>\$ 4,081</u>	<u>\$ 1,116,387</u>	<u>\$ 9,024</u>

The above ageing analysis was based on past due date. As of December 31, 2020, the subsequent collection of past-due accounts receivable amounted to \$224,062.

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,714,025.

C. As of December 31, 2020 and 2019, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$4,081 and \$9,024, respectively. As of December 31, 2020 and 2019, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$968,750 and \$1,115,134, respectively.

D. Information relating to credit risk of accounts and notes receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2020		
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 770,725	(\$ 62,913)	\$ 707,812
Work in progress	187,431	( 45,645)	141,786
Finished goods	167,646	( 9,053)	158,593
	<u>\$ 1,125,802</u>	<u>(\$ 117,611)</u>	<u>\$ 1,008,191</u>

	December 31, 2019		
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 647,184	(\$ 89,204)	\$ 557,980
Work in progress	213,054	( 48,702)	164,352
Finished goods	155,752	( 20,840)	134,912
	<u>\$ 1,015,990</u>	<u>(\$ 158,746)</u>	<u>\$ 857,244</u>

The cost of inventories recognised expense for the period:

	Years ended December 31	
	2020	2019
Cost of goods sold	\$ 3,195,761	\$ 4,830,380
Loss on decline in market value	14,364	16,223
Recognised as selling and R&D expenses	21,351	12,322
	<u>\$ 3,231,476</u>	<u>\$ 4,858,925</u>

(7) Property, plant and equipment

Details of property, plant and equipment for its own use are as follows:

	2020						
	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1							
Cost	\$ 418,552	\$ 962,616	\$ 91,449	\$ 2,250	\$ 15,159	\$ 918	\$ 1,490,944
Accumulated depreciation and impairment	( 82,421)	( 823,724)	( 78,100)	( 2,250)	( 9,223)	-	( 995,718)
	<u>\$ 336,131</u>	<u>\$ 138,892</u>	<u>\$ 13,349</u>	<u>\$ -</u>	<u>\$ 5,936</u>	<u>\$ 918</u>	<u>\$ 495,226</u>
At January 1	\$ 336,131	\$ 138,892	\$ 13,349	\$ -	\$ 5,936	\$ 918	\$ 495,226
Additions	2,042	81,755	13,697	-	3,691	-	101,185
Reclassifications	-	7,655	-	-	-	( 918)	6,737
Disposals	-	( 5,304)	( 238)	-	-	-	( 5,542)
Depreciation expense	( 18,769)	( 52,204)	( 8,215)	-	( 3,531)	-	( 82,719)
Net exchange differences	4,873	2,775	47	-	( 12)	-	7,683
At December 31	<u>\$ 324,277</u>	<u>\$ 173,569</u>	<u>\$ 18,640</u>	<u>\$ -</u>	<u>\$ 6,084</u>	<u>\$ -</u>	<u>\$ 522,570</u>
At December 31							
Cost	\$ 427,181	\$ 986,153	\$ 100,371	\$ 2,150	\$ 18,584	\$ -	\$ 1,534,439
Accumulated depreciation and impairment	( 102,904)	( 812,584)	( 81,731)	( 2,150)	( 12,500)	-	( 1,011,869)
	<u>\$ 324,277</u>	<u>\$ 173,569</u>	<u>\$ 18,640</u>	<u>\$ -</u>	<u>\$ 6,084</u>	<u>\$ -</u>	<u>\$ 522,570</u>

2019

	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1							
Cost	\$ 433,064	\$ 1,288,116	\$ 92,094	\$ 2,299	\$ 8,382	\$ 8,072	\$ 1,832,027
Accumulated depreciation and impairment	( 67,045)	( 1,140,999)	( 74,846)	( 2,299)	( 5,887)	-	( 1,291,076)
	<u>\$ 366,019</u>	<u>\$ 147,117</u>	<u>\$ 17,248</u>	<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ 8,072</u>	<u>\$ 540,951</u>
At January 1	\$ 366,019	\$ 147,117	\$ 17,248	\$ -	\$ 2,495	\$ 8,072	\$ 540,951
Additions	3,016	19,876	5,458	-	6,908	918	36,176
Reclassifications	-	30,539	9	-	-	( 8,078)	22,470
Disposals	-	( 16,246)	( 208)	-	-	-	( 16,454)
Depreciation expense	( 19,047)	( 39,035)	( 8,926)	-	( 3,459)	-	( 70,467)
Net exchange differences	( 13,857)	( 3,359)	( 232)	-	( 8)	6	( 17,450)
At December 31	<u>\$ 336,131</u>	<u>\$ 138,892</u>	<u>\$ 13,349</u>	<u>\$ -</u>	<u>\$ 5,936</u>	<u>\$ 918</u>	<u>\$ 495,226</u>
At December 31							
Cost	\$ 418,552	\$ 962,616	\$ 91,449	\$ 2,250	\$ 15,159	\$ 918	\$ 1,490,944
Accumulated depreciation and impairment	( 82,421)	( 823,724)	( 78,100)	( 2,250)	( 9,223)	-	( 995,718)
	<u>\$ 336,131</u>	<u>\$ 138,892</u>	<u>\$ 13,349</u>	<u>\$ -</u>	<u>\$ 5,936</u>	<u>\$ 918</u>	<u>\$ 495,226</u>

(8) Leasing arrangements — lessee

A. The Group leases various assets including land, buildings, machinery and equipment. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 27,057	\$ 27,344
Buildings	493,567	308,056
Machinery and equipment	-	-
	<u>\$ 520,624</u>	<u>\$ 335,400</u>

  

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 699	\$ 736
Buildings	48,442	34,629
Machinery and equipment	-	2,511
	<u>\$ 49,141</u>	<u>\$ 37,876</u>

C. For the year ended December 31, 2020, the additions to right-of-use assets were \$238,020.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 8,548	\$ 6,926
Expense on short-term lease contracts	10,682	22,315
Expense on leases of low-value assets	1,898	5,193

E. For the year ended December 31, 2020 and 2019, the Group's total cash outflow for leases was \$68,746 and \$66,060, respectively.

(9) Intangible assets

	2020			
	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Computer software</u>	<u>Total</u>
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 489,740	\$ 1,278,138
Accumulated depreciation and impairment	( 109,762)	( 404,895)	( 461,361)	( 976,018)
	<u>\$ 273,741</u>	<u>\$ -</u>	<u>\$ 28,379</u>	<u>\$ 302,120</u>
At January 1	\$ 273,741	\$ -	\$ 28,379	\$ 302,120
Additions	-	-	40,004	40,004
Amortisation charge	-	-	( 30,870)	( 30,870)
Net exchange differences	( 6,510)	-	( 168)	( 6,678)
At December 31	<u>\$ 267,231</u>	<u>\$ -</u>	<u>\$ 37,345</u>	<u>\$ 304,576</u>
At December 31				
Cost	\$ 383,503	\$ 404,895	\$ 518,101	\$ 1,306,499
Accumulated amortisation and impairment	( 116,272)	( 404,895)	( 480,756)	( 1,001,923)
	<u>\$ 267,231</u>	<u>\$ -</u>	<u>\$ 37,345</u>	<u>\$ 304,576</u>
	2019			
	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Computer software</u>	<u>Total</u>
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 461,291	\$ 1,249,689
Accumulated depreciation and impairment	( 106,573)	( 404,895)	( 437,161)	( 948,629)
	<u>\$ 276,930</u>	<u>\$ -</u>	<u>\$ 24,130</u>	<u>\$ 301,060</u>
At January 1	\$ 276,930	\$ -	\$ 24,130	\$ 301,060
Additions	-	-	34,270	34,270
Amortisation charge	-	-	( 29,787)	( 29,787)
Net exchange differences	( 3,189)	-	( 234)	( 3,423)
At December 31	<u>\$ 273,741</u>	<u>\$ -</u>	<u>\$ 28,379</u>	<u>\$ 302,120</u>
At December 31				
Cost	\$ 383,503	\$ 404,895	\$ 489,740	\$ 1,278,138
Accumulated amortisation and impairment	( 109,762)	( 404,895)	( 461,361)	( 976,018)
	<u>\$ 273,741</u>	<u>\$ -</u>	<u>\$ 28,379</u>	<u>\$ 302,120</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31	
	2020	2019
Operating costs	\$ 5,790	\$ 5,004
General and administrative expenses	930	668
Research and development expenses	24,150	24,115
	<u>\$ 30,870</u>	<u>\$ 29,787</u>

B. Impairment information about the intangible assets is provided in Note 6(10).

(10) Impairment of non-financial assets

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

	Years ended December 31					
	2020			2019		
	Up to 1 year	2 ~ 5 years	Over 6 years	Up to 1 year	2 ~ 5 years	Over 6 years
Operating revenue growth rate	95%	7%	0%	14%	15%	0%
Gross margin	20%	21%	22%	15%	15%	15%
Discount rate	14.43%	14.43%	14.43%	14.41%	14.41%	14.41%

A. Operating revenue growth rate: taking into consideration the estimated operation and sales plans.

B. Gross margin: calculated based on the historical data and taking into consideration the estimated operation and sales plans.

C. Discount rate: the discount rates used were pre-tax and reflected specific risks relating to the relevant operating segments.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Export financing	\$ 87,718	0.65%~0.87%	None
Borrowings for material purchase	280,380	0.74%~1.23%	None
	<u>\$ 368,098</u>		
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	\$ 396,748	2.39%~2.74%	None

For years ended December 31, 2020 and 2019, the Group recognised interest expense in profit or loss amounting to \$5,397 and \$15,867, respectively, due to the short-term borrowings.

(12) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ 876	\$ 273
Valuation adjustments	-	-
	<u>\$ 876</u>	<u>\$ 273</u>

A. For years ended December 31, 2020 and 2019, the Group recognised net loss on financial liabilities held for trading amounting to \$603 and \$178, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

Unit: In thousands

<u>Non-derivative financial liabilities for hedging</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
Current items:				
Forward foreign exchange contracts	USD 9,560	2020.10.12~ 2021.03.26	-	-
Foreign exchange swap transactions	-	-	USD 800	2019.12.11~ 2020.01.15

C. The Group entered into forward foreign exchange contracts and foreign exchange swap transactions to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

(13) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employee bonus payable	\$ 199,209	\$ 151,759
Payables for machinery and equipment	34,913	24,037
Payable on miscellaneous purchases	32,170	35,935
Accrued export expenses	17,218	30,750
Payables for consulting service fees	10,843	10,372
Others	69,094	105,239
	<u>\$ 363,447</u>	<u>\$ 358,092</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
The Shanghai Commercial & Savings Bank	Borrowing period is from March 31, 2020 to March 14, 2025; interest is repavable monthly.	0.750%	None	\$ 281,933
Mega Bank	Borrowing period is from December 23, 2019 to September 15, 2026; interest is repayable monthly.	0.845%	None	<u>109,496</u>
				<u>391,429</u>
Less: Current portion				( <u>52,340</u> )
				<u>\$ 339,089</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Mega Bank	Borrowing period is from December 23, 2019 to December 15, 2025; interest is repayable monthly.	1.2%	None	\$ 125
Less: Current portion				<u>-</u>
				<u>\$ 125</u>

- A. For the years ended December 31, 2020 and 2019, the Group recognised interest expense in profit or loss amounting to \$1,471 and \$0, respectively, due to the long-term borrowings.
- B. As of March 17, 2021, the Company received a line of credit of \$1.09 billion from the bank, and has drawn down \$0.462 billion.
- C. On January 1, 2019, Ministry of Economic Affairs, R.O.C. (“MOEA”) implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” and companies are subsidised with preferential interest loans, 0.5% of loan interest is subsidised by the National Development Fund, Executive Yuan, for qualified investment projects. The Company has obtained the qualification from the MOEA, and signed loan agreements with financial institutions during December 2019 to March 2021 with the line of credit amounted to \$1.09 billion and terms from five to six years. Funding from these borrowings were used to invest in machineries, equipment and broaden the Company’s working capital.

(15) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 287,207	\$ 295,022
Fair value of plan assets	( 106,933)	( 88,400)
Net defined benefit liability	<u>\$ 180,274</u>	<u>\$ 206,622</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of define benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2020			
At January 1	(\$ 295,022)	\$ 88,400	(\$ 206,622)
Current service cost	( 893)	-	( 893)
Interest (expense) income	( 2,066)	600	( 1,466)
	<u>( 297,981)</u>	<u>89,000</u>	<u>( 208,981)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,234	3,234
Change in financial assumptions	( 10,528)	-	( 10,528)
Experience adjustments	( 17,040)	-	( 17,040)
	<u>( 27,568)</u>	<u>3,234</u>	<u>( 24,334)</u>
Pension fund contribution	-	30,242	30,242
Paid pension	38,342	( 15,543)	22,799
At December 31	<u>(\$ 287,207)</u>	<u>\$ 106,933</u>	<u>(\$ 180,274)</u>

	<u>Present value of define benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2019			
At January 1	(\$ 304,736)	\$ 91,997	(\$ 212,739)
Current service cost	( 1,279)	-	( 1,279)
Interest (expense) income	( 2,743)	828	( 1,915)
	<u>( 308,758)</u>	<u>92,825</u>	<u>( 215,933)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,440	3,440
Change in financial assumptions	( 5,623)	-	( 5,623)
Experience adjustments	( 5,742)	-	( 5,742)
	<u>( 11,365)</u>	<u>3,440</u>	<u>( 7,925)</u>
Pension fund contribution	-	8,899	8,899
Paid pension	25,101	( 16,764)	8,337
At December 31	<u>(\$ 295,022)</u>	<u>\$ 88,400</u>	<u>(\$ 206,622)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Discount rate	<u>0.30%</u>	<u>0.70%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience

Mortality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2020				
Effect on present value of defined benefit	<u>(\$ 26,577)</u>	<u>\$ 27,464</u>	<u>\$ 24,059</u>	<u>(\$ 23,448)</u>
December 31, 2019				
Effect on present value of defined benefit	<u>(\$ 28,024)</u>	<u>\$ 29,000</u>	<u>\$ 25,736</u>	<u>(\$ 25,044)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$3,433.
  - (g) As of December 31, 2020, the weighted average duration of the retirement plan is 10 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiary, Jupiter Technology (Wuxi) Inc, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 19%. Other than the monthly contributions, the Company has no further obligations
  - (c) The Subsidiary, RadioComp ApS, accrued pension costs based on a certain appropriate rate of total salaries.
  - (d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019, were \$24,204 and \$49,868, respectively.

(16) Provisions

A. Warranties on sales-related products

	2020	2019
Balance at January 1	\$ 12,600	\$ 37,884
Additional provisions	1,399	6,933
Used during the period	( 4,691)	( 19,212)
Unused amounts reversed	-	( 11,347)
Exchange difference	95	( 1,658)
Balance at December 31	<u>\$ 9,403</u>	<u>\$ 12,600</u>

The Group gives warranties on sales-related products. Provision for warranty is estimated based on historical warranty data of uninterruptible power supply and solar energy products.

B. Provision for income tax in the United States

The Company recognised provision for contingent income tax liability in 2020 for the products sold under the incoterms DDP in the previous years. The US Internal Revenue Service preliminarily determined that it is suspicion that the Company traded within the US. Although the Company claimed that those were international trades, considering the case is at the tax negotiation stage, provision for income tax liability amounting to \$68,668 was recognised in accordance with IAS 37.

C. Analysis of total provisions:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	\$ 75,744	\$ 10,935
Non-current	<u>\$ 2,327</u>	<u>\$ 1,665</u>

(17) Share capital

As of December 31, 2020, the Company's authorised capital was \$7,000,000, consisting of 0.7 billion shares of ordinary stock (including 50 million shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$2,280,283 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Unit: In thousand shares)	
	2020	2019
At January 1 (At December 31)	<u>228,028</u>	<u>228,028</u>

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-

in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. After setting aside or reversal of a special reserve in accordance with related laws, the Company shall appropriate dividends to preferred stock. The Board of Directors should present the distribution of the remaining earnings along with accumulated unappropriated earnings for the approval of the shareholders to distribute dividends to shareholders.
- B. As the Company is in the growth stage, considered entire environment and nature of industry as well as future capital needs and long-term financial plans in order to subsequent operation and stable development. Based on the Company's future budget of capital expenditure and demand of capital, the Company appropriated no less than 30% of distributable earnings to shareholders' dividends, but if the distributable earnings is lower than 5% of paid-in capital, no dividends will be distributed. Cash dividend has a first priority when distributing shareholders' dividends, and the ratio is 30~100% of current total dividends. Remaining dividend can be distributed in the form of stocks. The appropriation of retained earnings will be proposed by the Board of Directors every year, and will be approved by the shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On June 18, 2020, the shareholders during their meeting resolved not to distribute dividends from 2019 earnings.
- F. The appropriations of earnings of year 2018 as resolved by the shareholders at their meetings on June 19, 2019 are as follows:

	<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 5,211	
Special reserve	109,980	
Cash dividends	<u>45,606</u>	\$ 0.20
	<u>\$ 160,797</u>	

G. The Company incurred operating losses for the year ended December 31, 2020, and thus had no earnings for distribution.

(20) Other equity items

	<u>2020</u>		
	<u>Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Financial statements translation differences of foreign operations</u>	<u>Total</u>
At January 1	(\$ 144,506)	(\$ 104,070)	(\$ 248,576)
Revaluation	( 616)	-	( 616)
Effects of associate accounted for under equity method	( 109,507)	( 7,566)	( 117,073)
Tax effects of associate accounted for under equity method	<u>-</u>	<u>1,513</u>	<u>1,513</u>
At December 31	<u>(\$ 254,629)</u>	<u>(\$ 110,123)</u>	<u>(\$ 364,752)</u>

2019

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 134,492)	(\$ 58,934)	(\$ 193,426)
The Company's effect	1,477	-	1,477
Revaluation transferred to retained earnings	( 2,895)	-	( 2,895)
Effects of associate accounted for under equity method	( 8,596)	( 56,420)	( 65,016)
Tax effects of associate accounted for under equity method	-	11,284	11,284
At December 31	<u>(\$ 144,506)</u>	<u>(\$ 104,070)</u>	<u>(\$ 248,576)</u>

(21) Operating revenue

	Years ended December 31	
	2020	2019
Revenue from contracts with customers	<u>\$ 3,949,997</u>	<u>\$ 5,798,880</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue in the following major product lines and geographical regions:

	Year ended December 31, 2020			
	USA	Mainland China	Other	Total
Total segment revenue	\$ 1,908,027	\$ 1,204,274	\$ 2,632,619	\$ 5,744,920
Inter-segment revenue	( 86,107)	( 306,891)	( 1,401,925)	( 1,794,923)
Revenue from external customer contracts	<u>\$ 1,821,920</u>	<u>\$ 897,383</u>	<u>\$ 1,230,694</u>	<u>\$ 3,949,997</u>

  

	Year ended December 31, 2019			
	USA	Mainland China	Other	Total
Total segment revenue	\$ 3,210,720	\$ 1,295,086	\$ 4,424,835	\$ 8,930,641
Inter-segment revenue	( 882)	( 50,266)	( 3,080,613)	( 3,131,761)
Revenue from external customer contracts	<u>\$ 3,209,838</u>	<u>\$ 1,244,820</u>	<u>\$ 1,344,222</u>	<u>\$ 5,798,880</u>

B. Contract liabilities from customers

(a) The Group has recognised the following revenue-related contract liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities:			
Contract liabilities-			
Products sales contracts	<u>\$ 81,033</u>	<u>\$ 55,824</u>	<u>\$ 7,519</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Years ended December 31	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 41,489	\$ 4,053

Changes in contract liabilities are mainly from the timing difference between performance obligations satisfied and customers' payment.

(22) Interest income

	Years ended December 31	
	2020	2019
Interest income from bank deposits	\$ 6,487	\$ 8,439

(23) Other income

	Years ended December 31	
	2020	2019
Dividend income	\$ 324	\$ 342
Other income, others	65,339	25,683
	<u>\$ 65,663</u>	<u>\$ 26,025</u>

A. For the year ended December 31, 2020, the Group recognised government grant income of \$27,246, for salary and working capital subsidies from the Ministry of Economic Affairs under the 'Salary and Working Capital Subsidies for Businesses Suffered by the COVID-19 Handled by the Ministry of Economic Affairs'.

B. For the year ended December 31, 2020, the Group recognised government grant income of \$26,801, respectively, for the subsidiaries from the Ministry of Economic Affairs under the 'Low Earth Orbit (LEO) Radio Frequency Front End (RFFE) Solution Development Plan'.

(24) Other gains and losses

	Years ended December 31	
	2020	2019
Gains on disposals of property, plant and equipment	\$ 1,476	\$ 16,482
Currency exchange losses	( 4,664)	( 10,494)
Gains on financial assets at fair value through profit or loss	1,938	2,110
Gains arising from lease modifications	2,949	-
Miscellaneous disbursements	( 1,969)	( 22,025)
	<u>(\$ 270)</u>	<u>(\$ 13,927)</u>

(25) Finance costs

	Years ended December 31	
	2020	2019
Interest expense	\$ 6,868	\$ 15,867
Interest expense of lease liability	8,548	6,926
	<u>\$ 15,416</u>	<u>\$ 22,793</u>

(26) Expenses by nature

	Years ended December 31	
	2020	2019
Employee benefit expense	\$ 946,867	\$ 900,350
Depreciation charges on property, plant and equipment	131,860	108,343
Amortisation	30,870	29,787
	<u>\$ 1,109,597</u>	<u>\$ 1,038,480</u>

(27) Employee benefit expense

	Years ended December 31	
	2020	2019
Salary expenses	\$ 829,033	\$ 760,828
Labour and health insurance fees	62,075	54,975
Pension costs	26,563	53,062
Other personnel expenses	29,196	31,485
	<u>\$ 946,867</u>	<u>\$ 900,350</u>

A. According to the Articles of Incorporation of the Company, the ratio of distributable profit of the current year shall not be lower than 7% for employees' compensation in the form of stocks/cash, and employees must be working for the Company. The current year's earnings, if any, shall not be higher than 1% for directors' remuneration. Appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated to employees' compensation and directors' remuneration based on the abovementioned ratios.

B. For the years ended December 31, 2020 and 2019, employees' remuneration was accrued at \$0 and \$128, respectively; while directors' remuneration was accrued at \$0 and \$18, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7% and 1% of distributable profit for the years ended December 31, 2020 and 2019, respectively. However, there were no amounts accrued for both periods as the Company incurred losses before tax.

For 2019, the employees' compensation and directors' remuneration resolved by the Board of Directors amounted to \$128 and \$18, respectively, which were in agreement with those amounts

recognised in the 2019 financial statements.

C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the period	\$ 77,384	\$ 2,601
Tax of foreign source income withheld at source	698	4,217
Prior year income tax overestimation	-	1,211
Total current tax	<u>78,082</u>	<u>8,029</u>
Deferred tax:		
Origination and reversal of temporary differences	21,094	8,034
Impact of tax losses	( 84,306)	( 7,222)
Total deferred tax	<u>( 63,212)</u>	<u>812</u>
Income tax expense	<u>\$ 14,870</u>	<u>\$ 8,841</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income (loss) is as follows:

	Years ended December 31	
	2020	2019
Currency translation differences	(\$ 1,513)	(\$ 11,284)

(c) The income tax charged/(credited) to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	(\$ 23,427)	\$ 518
Effects from items disallowed by tax regulation	( 196)	( 1,242)
Change in assessment of realisation of deferred tax assets	37,795	4,137
Tax on undistributed earnings	-	1,211
Tax of foreign source income withheld at source	698	4,217
Income tax expense	\$ 14,870	\$ 8,841

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020				
	<u>At January 1</u>	Recognised in profit or loss	Recognised in other comprehensive income	Net exchange differences	<u>At December 31</u>
Deferred tax assets:					
-Temporary differences:					
Allowance for inventory valuation losses	\$ 36,676	(\$ 9,329)	\$ -	(\$ 96)	\$ 27,251
Unrealised warranty cost of after-sale service	3,025	( 808)	-	( 3)	2,214
Unrealised pension	41,324	( 5,269)	-	-	36,055
Exchange differences on foreign financial statements	5,420	-	1,513	-	6,933
Others	13,032	( 649)	-	1,650	14,033
-Tax losses	<u>310,992</u>	<u>84,306</u>	<u>-</u>	<u>( 28)</u>	<u>395,270</u>
Subtotal	<u>\$ 410,469</u>	<u>\$ 68,251</u>	<u>\$ 1,513</u>	<u>\$ 1,523</u>	<u>\$ 481,756</u>
Deferred income tax liabilities:					
Unrealised gain on long-term investments	(\$ 91,889)	(\$ 4,580)	\$ -	\$ -	(\$ 96,469)
Unrealised exchange gain	( 10,030)	( 264)	-	-	( 10,294)
Exchange differences on foreign financial statements	-	-	-	-	-
Others	( 136)	( 195)	-	-	( 331)
Subtotal	<u>(\$ 102,055)</u>	<u>(\$ 5,039)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 107,094)</u>
Total	<u>\$ 308,414</u>	<u>\$ 63,212</u>	<u>\$ 1,513</u>	<u>\$ 1,523</u>	<u>\$ 374,662</u>
2019					
	2019				
	<u>At January 1</u>	Recognised in profit or loss	Recognised in other comprehensive income	Net exchange differences	<u>At December 31</u>
Deferred tax assets:					
-Temporary differences:					
Allowance for inventory valuation losses	\$ 31,479	\$ 6,293	\$ -	(\$ 1,096)	\$ 36,676
Unrealised warranty cost of after-sale service	8,583	( 5,463)	-	( 95)	3,025
Unrealised pension	42,548	( 1,224)	-	-	41,324
Exchange differences on foreign financial statements	-	-	5,420	-	5,420
Others	19,329	( 6,283)	-	( 14)	13,032
-Tax losses	<u>303,897</u>	<u>7,222</u>	<u>-</u>	<u>( 127)</u>	<u>310,992</u>
Subtotal	<u>\$ 405,836</u>	<u>\$ 545</u>	<u>\$ 5,420</u>	<u>(\$ 1,332)</u>	<u>\$ 410,469</u>
Deferred income tax liabilities:					
Unrealised gain on long-term investments	(\$ 87,582)	(\$ 4,307)	\$ -	\$ -	(\$ 91,889)
Unrealised exchange gain	( 12,049)	2,019	-	-	( 10,030)
Exchange differences on foreign financial statements	( 5,864)	-	5,864	-	-
Others	( 1,067)	931	-	-	( 136)
Subtotal	<u>(\$ 106,562)</u>	<u>(\$ 1,357)</u>	<u>\$ 5,864</u>	<u>\$ -</u>	<u>(\$ 102,055)</u>
Total	<u>\$ 299,274</u>	<u>(\$ 812)</u>	<u>\$ 11,284</u>	<u>(\$ 1,332)</u>	<u>\$ 308,414</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020					
Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2011 (Microelectronics)	\$ 1,121,209	\$ 802,269	\$ 802,269		2021
2012 (Microelectronics)	1,356,066	1,356,066	1,356,066		2022
2013 (Microelectronics)	1,086,632	1,086,632	26,483		2023
2014 (Microelectronics)	407,486	407,486	-		2024
2015 (Microelectronics)	240,322	210,609	-		2025
2018 (Microelectronics)	17,211	17,211	-		2023
2019 (Microelectronics)	106,422	106,422	-		2029
2020 (Microelectronics)	174,473	174,473	-		2029
		<u>\$ 4,161,168</u>	<u>\$ 2,184,818</u>		

December 31, 2019					
Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2011 (Microelectronics)	\$ 1,121,209	\$ 802,269	\$ 802,269		2021
2012 (Microelectronics)	1,356,066	1,356,066	1,356,066		2022
2013 (Microelectronics)	1,086,632	1,086,632	273,761		2023
2014 (Microelectronics)	407,486	407,486	-		2024
2015 (Microelectronics)	240,322	210,609	-		2025
2018 (Microelectronics)	17,211	17,211	-		2023
2019 (Microelectronics)	102,489	102,489	-		2029
		<u>\$ 3,982,762</u>	<u>\$ 2,432,096</u>		

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(29) Earnings (losses) per share

	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to the parent	<u>(\$ 95,415)</u>	<u>228,028</u>	<u>(\$ 0.42)</u>
<u>Diluted losses per share</u>			
Loss attributable to the parent	( 95,415)	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>-</u>	
	<u>(\$ 95,415)</u>	<u>228,028</u>	<u>(\$ 0.42)</u>
	<u>Year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	<u>\$ 1,684</u>	<u>228,028</u>	<u>\$ 0.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to the parent	1,684	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>7</u>	
	<u>\$ 1,684</u>	<u>228,035</u>	<u>\$ 0.01</u>

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31	
	2020	2019
Purchase of property, plant and equipment	\$ 101,185	\$ 36,176
Add: Opening balance of payable on equipment	24,037	28,881
Ending balance of prepayment for equipment	-	1,123
Less: Ending balance of payable on equipment	( 34,913)	( 24,037)
Opening balance of prepayment for equipment	( 1,123)	( 227)
Cash paid during the period	<u>\$ 89,186</u>	<u>\$ 41,916</u>

(31) Changes in liabilities from financing activities

	Lease liabilities	Short-term	Long-term	Total
		borrowings	borrowings	
January 1, 2020	\$ 311,032	\$ 396,748	\$ 125	\$ 707,905
Changes in cash flow from financing activities	( 47,618)	( 30,274)	418,510	340,618
Impact of changes in foreign exchange rate	( 4,197)	1,624	-	( 2,573)
Changes in other non-cash items	<u>262,169</u>	<u>-</u>	<u>( 27,206)</u>	<u>234,963</u>
December 31, 2020	<u>\$ 521,386</u>	<u>\$ 368,098</u>	<u>\$ 391,429</u>	<u>\$ 1,280,913</u>
	Lease liabilities	Short-term	Long-term	Total
		borrowings	borrowings	
January 1, 2019	\$ 378,746	\$ 559,660	\$ -	\$ 938,406
Changes in cash flow from financing activities	( 31,626)	( 163,298)	125	( 194,799)
Impact of changes in foreign exchange rate	( 2,126)	386	-	( 1,740)
Changes in other non-cash items	<u>( 33,962)</u>	<u>-</u>	<u>-</u>	<u>( 33,962)</u>
December 31, 2019	<u>\$ 311,032</u>	<u>\$ 396,748</u>	<u>\$ 125</u>	<u>\$ 707,905</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cybertan Technology Inc.	Entities with significant influence to the Group

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31	
	2020	2019
Sales of goods:		
Cybertan Technology Inc.	\$ 211,694	\$ 396,054

The sales prices are based on mutual agreement, and no similar transactions can be compared with. The credit terms are 30 days from invoice date for the related parties. For third parties, credit terms are 30~90 days from invoice date or after monthly billings.

#### B. Purchases

	Years ended December 31	
	2020	2019
Purchases of goods:		
Entities with significant influence to the Group	\$ -	\$ 1,828

#### C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Entities with significant influence to the Group	\$ 29,008	\$ 74,209
Other receivables:		
Entities with significant influence to the Group	340	385
	<u>\$ 29,348</u>	<u>\$ 74,594</u>

#### D. Lease transactions – lessee

(a) The Group leases buildings from Cybertan Technology Inc.. Rental contracts are typically made for periods of 10 years. Rents are paid at the end of year.

(b) Acquisition of right-of-use assets:

	December 31, 2020	December 31, 2019
Cybertan Technology Inc.	\$ 419,034	\$ 219,392

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$248,243.

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2020	December 31, 2019
Cybertan Technology Inc.	\$ 445,225	\$ 221,507

(ii) Interest expense

	Years ended December 31	
	2020	2019
Cybertan Technology Inc.	\$ 6,567	\$ 4,875

(d) As of December 31, 2020 and 2019, guarantee deposits paid (shown as 'Other non-current assets') to entities with significant influence to the Group all amounted to \$1,972.

(3) Key management compensation

	Years ended December 31	
	2020	2019
Salaries and other short-term employee benefits	\$ 44,385	\$ 46,408
Post-employment benefits	2,409	1,905
	<u>\$ 46,794</u>	<u>\$ 48,313</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Time deposits (shown as 'Financial assets at amortised cost-current')	<u>\$ 546</u>	<u>\$ 537</u>	Guarantee for business card

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,275	\$ 8,667
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	114,443	224,207
Financial assets at amortised cost		
Cash and cash equivalents	1,324,793	1,057,733
Financial assets at amortised cost	27,260	28,235
Notes receivable	4,081	9,024
Accounts receivable (including related party transactions)	968,750	1,115,134
Other receivables (including related party transactions)	38,158	127,014
Guarantee deposits paid	4,508	4,441
	<u>\$ 2,487,268</u>	<u>\$ 2,574,455</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 876	\$ 273
Financial liabilities at amortised cost		
Short-term borrowings	368,098	396,748
Accounts payable (including related party transactions)	856,353	919,456
Other payables	363,447	358,092
Long-term borrowings	391,429	125
	<u>\$ 1,980,203</u>	<u>\$ 1,674,694</u>
Lease liability	<u>\$ 521,386</u>	<u>\$ 311,032</u>

## B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(12)).
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of

derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group uses forward foreign exchange contracts, transacted with Company treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange and cross currency swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (12).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020			
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 40,781	28.48	\$ 1,161,443
RMB:NTD	5,540	4.36	24,154
EUR:NTD	1,152	35.02	40,343
USD:RMB	13,965	6.52	397,723
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 41,198	28.48	\$ 1,173,319
RMB:NTD	803	4.36	3,501
EUR:NTD	765	35.02	26,790
USD:RMB	10,609	6.52	302,144

December 31, 2019			
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 55,834	29.98	\$ 1,673,903
RMB:NTD	44	4.30	189
EUR:NTD	1,070	33.59	35,941
USD:RMB	25,058	6.98	751,239
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 49,578	29.98	\$ 1,486,348
RMB:NTD	5,200	4.30	22,360
EUR:NTD	1,125	33.59	37,789
USD:RMB	20,623	6.98	618,278

- v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$4,664 and \$10,494, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		Year ended December 31, 2020		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	11,614	\$ -
RMB:NTD	1%		242	-
EUR:NTD	1%		403	-
USD:RMB	1%		3,977	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	11,733)	\$ -
RMB:NTD	1%	(	35)	-
EUR:NTD	1%	(	268)	-
USD:RMB	1%	(	3,021)	-
		Year ended December 31, 2019		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	16,739	\$ -
RMB:NTD	1%		2	-
EUR:NTD	1%		359	-
USD:RMB	1%		7,512	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	14,863)	\$ -
RMB:NTD	1%	(	224)	-
EUR:NTD	1%	(	378)	-
USD:RMB	1%	(	6,183)	-

### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the overseas and domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$53 and \$87, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,144 and \$2,242, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a optimised credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
- iii. Impairment assessment of credit risk on financial assets at amortised cost is as follows:
  - (i) The Group adopts following assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) In line with credit risk management procedure, when the counterparty is unable to pay the past-due payables, the default has occurred.

- (iii) The Group used the forecastability to adjust historical and timely information and considered credit rating of issue banks to assess the default possibility of accounts and notes receivable.
- (iv) The Group's financial assets at amortised cost are including time deposits deposited in banks and restricted time deposits. Such banks all have optimised credit rating, no past due has occurred, and no significant changes in the entire economic environment, therefore no credit loss is expected and the impact to the financial statement is remote.
- iv. Impairment assessment of credit risk on accounts and notes receivable is as follows:
- (i) The Group classifies customers' accounts and notes receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- (ii) The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts and notes receivable. As of December 31, 2020 and 2019, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2020</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 639,758	\$ 315,461	\$ 15,642	\$ 2,248	\$ 973,109
Loss allowance	\$ -	\$ 3	\$ 2	\$ 273	\$ 278
	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 907,138	\$ 145,858	\$ 20,937	\$ 51,478	\$ 1,125,411
Loss allowance	\$ -	\$ -	\$ -	\$ 1,253	\$ 1,253

- (iii) Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>2020</u>	<u>2019</u>
At January 1	\$ 1,253	\$ 1,242
Write-offs of uncollectible receivables	( 1,212)	-
Provision for (reversal of) impairment loss	249	40
Effect of exchange rate changes	( 12)	( 29)
At December 31	<u>\$ 278</u>	<u>\$ 1,253</u>

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;

- (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of other receivables. As of December 31, 2020, and 2019, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2020</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 32,151	\$ 5,285	\$ 722	\$ -	\$ 38,158
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 126,650	\$ 364	\$ -	\$ -	\$ 127,014
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2020	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 319,610	\$ 48,488	\$ -	\$ -	\$ -	\$ 368,098
Accounts payable (including related parties)	768,871	87,482	-	-	-	856,353
Other payables	363,447	-	-	-	-	363,447
Long-term borrowings	800	58,541	78,339	264,760	25,377	427,817
Lease liability	16,935	50,806	67,741	203,224	195,169	533,875
<u>Derivative financial liabilities</u>						
Forward foreign exchange transactions	\$ 876	\$ -	\$ -	\$ -	\$ -	\$ 876
December 31, 2019	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 397,282	\$ -	\$ -	\$ -	\$ -	\$ 397,282
Accounts payable (including related parties)	859,017	60,439	-	-	-	919,456
Other payables	358,092	-	-	-	-	358,092
Long-term borrowings	-	2	2	127	-	131
Lease liability	9,529	28,586	38,115	114,344	155,202	345,776
<u>Derivative financial liabilities</u>						
Forward exchange swap	\$ 273	\$ -	\$ -	\$ -	\$ -	\$ 273

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's derivative instruments and emerging stocks are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, other financial assets, short-term borrowings, accounts payable and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange swap transactions and forward foreign exchange contracts	\$ -	\$ 5,275	\$ -	\$ 5,275
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	114,443	114,443
	<u>\$ -</u>	<u>\$ 5,275</u>	<u>\$ 114,443</u>	<u>\$ 119,718</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ -</u>	<u>\$ 876</u>

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange swap transactions and forward foreign exchange contracts	\$ -	\$ 2,671	\$ -	\$ 2,671
Convertible bonds	-	-	5,996	5,996
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	224,207	224,207
	<u>\$ -</u>	<u>\$ 2,671</u>	<u>\$ 230,203</u>	<u>\$ 232,874</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange swap transactions	<u>\$ -</u>	<u>\$ 273</u>	<u>\$ -</u>	<u>\$ 273</u>

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
  - ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- E. As of June 30, 2020, convertible bonds amounting to \$5,996 were converted into 205,432 preferred shares. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	2020		
	Derivative		
	Equity securities	instruments	Total
At January 1	\$ 224,207	\$ 5,996	\$ 230,203
Transfers for the period	5,926	( 5,926)	-
Loss recognised in other comprehensive income	( 110,123)	-	( 110,123)
Net exchange differences	( 5,567)	( 70)	( 5,637)
At December 31	<u>\$ 114,443</u>	<u>\$ -</u>	<u>\$ 114,443</u>
	2019		
	Derivative		
	Equity securities	instruments	Total
At January 1	\$ 237,134	\$ 6,143	\$ 243,277
Gain recognised in other comprehensive income	( 2,407)	-	( 2,407)
Net exchange differences	( 10,520)	( 147)	( 10,667)
At December 31	<u>\$ 224,207</u>	<u>\$ 5,996</u>	<u>\$ 230,203</u>

F. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 8,660	Market comparable companies	Discount for lack of marketability P/B ratio	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	12,457	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	93,326	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 9,276	Market comparable companies	Discount for lack of marketability P/B ratio	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	54,811	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	160,120	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instruments					
Discount for lack of marketability	±10%	\$ -	\$ -	\$ 371	(\$ 371)
P/B ratio	±10%	-	-	866	( 866)
Long-term pre-tax operating	±1%	-	-	133	( 133)
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,370</u>	<u>(\$ 1,370)</u>

		December 31, 2019					
				Recognised in other			
				comprehensive income			
				Recognised in profit or loss			
				Favourable      Unfavourable			
				change              change			
				Favourable      Unfavourable			
				change              change			
				Favourable      Unfavourable			
				change              change			
Financial assets							
Equity instruments	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 398	(\$ 398)	
	P/B ratio	±10%	-	-	928	( 928)	
	Long-term pre-tax operating	±1%	-	-	6,127	( 6,127)	
			\$ -	\$ -	\$ 7,453	(\$ 7,453)	

(4) Other

Due to the impact of the COVID-19 pandemic in 2020, there were supply problems in raw materials and shortage of workers in the production line of the suppliers in Mainland China and the operating revenue of the Group was therefore affected. However, the Group expects that the impact will be gradually reduced as the suppliers have gradually resumed their production in the second half of the year and the Company has rearranged the Group's resources for the operational adjustments and countermeasures.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period: Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Note 6(2) (12).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker, which is the General Manager, that are used to make strategic decisions and the Group was identified as a single reportable segment.

(2) Measurement of segment information

The Group's General Manager assesses the performance of the operating segments based on the pre-tax net income (loss).

(3) Information about segment profit or loss, assets and liabilities

	Years ended December 31	
	2020	2019
Revenue from external customers	\$ 3,949,997	\$ 5,798,880
Inter-segment revenue	\$ 1,794,923	\$ 3,131,761
Total segment revenue	\$ 5,744,920	\$ 8,930,641
Segment income	(\$ 80,545)	\$ 10,525
Segment assets	\$ 5,399,783	\$ 5,024,224
Segment liabilities	\$ 2,980,253	\$ 2,368,769

(4) Reconciliation for segment income (loss)

Total measurement of segment income is consistent with the operating income shown in the Group's financial statements. Therefore, no reconciliation was needed.

(5) Information on products and services

Please refer to Note 6 (21) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
USA	\$ 1,821,920	\$ 86,054	\$ 3,209,838	\$ 98,013
Mainland China	897,383	405,167	1,244,820	422,014
Others	1,230,694	589,318	1,344,222	338,979
	<u>\$ 3,949,997</u>	<u>\$ 1,080,539</u>	<u>\$ 5,798,880</u>	<u>\$ 859,006</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020			Year ended December 31, 2019	
	Revenue	Segment		Revenue	Segment
B customer	\$ 897,004	Whole Group	B customer	1,087,284	Whole Group
E customer	675,301	Whole Group	E customer	1,115,949	Whole Group

Microelectronics Technology, Inc. and Subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Microelectronics Technology, Inc.	Stocks - TAIWAN AEROSPACE CORPORATION	None	Financial assets at fair value through other comprehensive income	648,576	\$ 8,660	0.48	\$ 8,660	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Optical Scientific, Inc.	None	Financial assets at fair value through profit or loss	16,023	-	5.02	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Firetide, Inc.	None	Financial assets at fair value through profit or loss	1,333,360	-	2.24	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Taicom Capital Ltd.	None	Financial assets at fair value through other comprehensive income	20,000	93,326	Note	93,326	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - New Edge Signal Solutions LCC	None	Financial assets at fair value through other comprehensive income	1,355,663	12,457	12.5	12,457	
SASSON INTERNATIONAL HOLDING, INC.	Conversion of convertible bonds - Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	205,432	-	0.05	-	

Note: Holding of 10,000 ordinary shares and 10,000 preference shares for 11.43% and 16.67% ownership, respectively.

Microelectronics Technology, Inc. and Subsidiaries  
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC	Indirect subsidiary of the Company	Purchases	\$ 866,838	28%	90 days	Not applicable	Not applicable	(\$ 242,139)	(28%)	
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Indirect subsidiary of the Company	Sales	( 866,838)	(41%)	90 days	Not applicable	Not applicable	242,139	57%	
JUPITER TECHNOLOGY (WUXI) INC	Cybertan Technology Inc.	Entities with significant influence to the	Sales	( 185,981)	(9%)	30 days	Not applicable	Not applicable	19,327	5%	

Microelectronics Technology, Inc. and Subsidiaries  
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
 December 31, 2020

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Parent company	\$ 242,139	3.26	\$ -	-	\$ 185,122	\$ -

Microelectronics Technology, Inc. and Subsidiaries  
Significant inter-company transactions during the reporting periods  
December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Purchases and processing overhead	\$ 866,838	Same as those to the third parties	21.95%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Accounts payable	242,139	Payment term is 60 days from invoice date	4.48%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Other current liabilities	19,514	Based on the mutual agreement	0.36%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Operating revenue	86,107	Same as those to the third parties	2.18%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Accounts receivable	59,381	Same as those to the third parties	1.10%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Research and development expenses	89,843	Same as those to the third parties	2.27%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Accrued expense	19,774	Based on the mutual agreement	0.37%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Research and development expenses	111,649	Same as those to the third parties	2.83%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Accrued expense	25,915	Based on the mutual agreement	0.48%
1	MTI Laboratory, INC.	JUPITER TECHNOLOGY (WUXI) INC.	3	Operating revenue	22,576	Same as those to the third parties	0.57%

Note 1: The information of transactions between the Company and the subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationship with counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transaction amounts over 10 million were disclosed and if transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it was not required to be disclosed separately.

Microelectronics Technology, Inc. and Subsidiaries

Information on investees

December 31, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	investment income (loss) recognised by the Company for the year ended December 31, 2020	Note
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Microelectronics Technology, Inc.	SASSON INTERNATIONAL HOLDING, INC.	British Virgin IS.	Investment management	\$ 908,778	\$ 908,778	3,920	100	\$ 1,530,055	\$ 40,199	\$ 24,902	Note 1
SASSON INTERNATIONAL HOLDING, INC.	Welltop Technology Co.,Ltd.	British Virgin IS.	Investment management	234,863	240,621	7,834,000	100	326,006	20,562	20,562	Note 2
SASSON INTERNATIONAL HOLDING, INC.	Jupiter Network Corp.	British Virgin IS.	Investment management	931,533	954,370	31,071,800	100	1,012,409	18,128	18,128	Note 2
Welltop Technology Co.,Ltd.	MTI Laboratory, Inc.	U.S.A	Communications	44,970	46,073	1,500,000	100	131,952	16,469	16,469	Note 2
Welltop Technology Co.,Ltd.	Radiocomp ApS	DENMARK	Communications	140,966	144,422	1,527,944	100	174,137	4,013	4,013	Note 2

Note 1: Subsidiary of the Company.

Note 2: Indirect subsidiary of the Company.

Microelectronics Technology, Inc. and Subsidiaries

Information on investees in Mainland China

December 31, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31 2020	Note
					Remitted to Mainland China	Remitted back to Taiwan							
JUPITER TECHNOLOGY (WUXI) INC (Note 1)	The manufactures and sales of satellite and microwave communication system and related technical and consultation services	\$ 882,880	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 882,880	\$ -	\$ -	\$ 882,880	\$ 18,128	100	\$ 18,128	\$ 1,012,369	\$ -	-
Company name	September 30, 2020	investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020									
Microelectronics Technology, Inc.	\$ 995,946	\$ 1,110,948	\$ 1,451,718	\$									

Note 1: It was indirectly invested through Jupiter Network Corp.

Note 2: Investment profit or loss was recognised based on the financial statements that were audited by R.O.C. parent company's CPA.

Microelectronics Technology, Inc. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

December 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31, 2020	Others (Note)
	Amount	%	Amount	%	Balance	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate		
JUPITER TECHNOLOGY (WUXI) INC	\$ 866,838	56	(\$ 1,435)	2	(\$ 242,139)	65	\$ -	-	\$ -	\$ -	-	\$ -	\$ 19,514
JUPITER TECHNOLOGY (WUXI) INC	\$ -	0	\$ 63	8	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	-

Note: It consisted of current liabilities amounting to \$19,514.

Microelectronics Technology, Inc. and Subsidiaries

Major shareholders information

December 31, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Name of major shareholders	No. of shares held	Ownership (%)
Cybertan Technology Inc.	60,924,995	26.71%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.