

ICHIA TECHNOLOGIES INC.

Stand-alone Financial
Statements and Independent
Auditor's Report
2020 and 2019

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§TABLE OF CONTENTS§

	<u>ITEM</u>	<u>PAGE</u>	<u>NOTES TO THE FINANCIAL STATEMENTS</u>
i.	Cover	1	-
ii.	Table of Contents	2	-
iii.	Independent Auditor’s Report	3~7	-
iv.	Stand-alone Balance Sheet	8	-
v.	Stand-alone Comprehensive Income Statement	9~10	-
vi.	Stand-alone Statement of Changes in Equity	11	-
vii.	Stand-alone Cash Flow Statement	12~13	-
viii.	Notes to the Stand-alone Financial Statements		
	(i) Company History	14	1
	(ii) Date and Procedure for Approval of Financial Statements	14	2
	(iii) Application of New and Revised Standards and Interpretations	14~16	3
	(iv) Summary of Significant Accounting Policies	16~30	4
	(v) Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties	30~30	5
	(vi) Summary of Significant Accounting Items	31~63	6-26
	(vii) Related Party Transactions	64~66	27
	(viii) Pledged Assets	66	28
	(ix) Significant Contingent Liabilities and Unrecognized Contract Commitments	66	29
	(x) Significant Disaster Loss	-	-
	(xi) Significant Subsequent Events	-	-
	(xii) Others	67~69	30, 31
	(xiii) Additional Disclosure		
	1. Information on Significant Transactions	69~76	32
	2. Information on Investees	69~76	32
	3. Information on investment in Mainland China	69、74、77	32
	4. Information on major shareholders	70、78	32

Independent Auditor's Report

To the Board of Directors and Shareholders of ICHIA TECHNOLOGIES INC.:

Audit opinions

We have audited the accompanying stand-alone balance sheet of ICHIA TECHNOLOGIES INC. as of December 31, 2020 and 2019, and the related stand-alone comprehensive income statements, stand-alone statement of changes in shareholders' equity, stand-alone cash flow statements, and notes to the stand-alone financial statements (including significant accounting policies) for the years then ended.

In our opinion, the stand-alone financial statements referred to above present fairly, in all material respects, the stand-alone financial position of ICHIA TECHNOLOGIES INC. as of December 31, 2020 and 2019, and its stand-alone financial performance and cash flows for the years ended December 31 2020 and 2019, in conformity with the requirements of regulations governing the preparation of financial statements by securities issuers.

Basis for opinions

We conclude our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the stand-alone financial statements. We are independent of ICHIA TECHNOLOGIES INC. in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 2020 stand-alone financial statements of ICHIA TECHNOLOGIES INC. These matters were addressed in the content of our audit of the

stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinions on those matters.

Key audit matters of the 2020 stand-alone financial statements of ICHIA TECHNOLOGIES INC. were as follows:

Authenticity of revenues recognized from sales to specific customers in triangular trade

ICHIA TECHNOLOGIES INC. manufactures a wide range of flexible printed circuit boards and mechanism integrated components (MVI) for the automotive and consumer electronics markets. Its sales patterns include domestic sales, direct export sales and triangular trade. Revenues from sales of triangular trade are recognized when the goods are delivered to a third-party forward designated by the customer and the risks and rewards are transferred. Since the aforementioned revenue recognition process involves manual work, which may result in improper revenue recognition, the authenticity of the sales revenues recognized from triangular trade for customers with more significant increase in sales revenue and growth are included as key audit matters in this year's stand-alone financial statements.

We have also performed the following major audit procedures with respect to the above key audit matters:

1. Understand and test the effectiveness of the design and implementation of the internal control system related to revenue recognition.
2. Obtain samples of sales revenues from triangular trade with specific customers for the whole year, and check the related documents of triangular trade including invoices and customs declarations with the recorded amounts to test the authenticity of the sales revenues recognized.
3. Examine whether there are any abnormalities in the collection after the credit period granted to specific customers.

Responsibilities of management and those in charge with governance of the stand-alone financial statements

The management is responsible for the preparation and fair presentation of the stand-alone financial statements in accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers, and for such internal control as the management determines is necessary to enable the preparation of the stand-alone financial statements to be free from material misstatement whether due to fraud or error.

In preparing the stand-alone financial statements, the management is also responsible for assessing the ability of ICHIA TECHNOLOGIES INC. as a going

concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting. Unless the management either intends to liquidate ICHIA TECHNOLOGIES INC. or to cease operations, or has no other realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of the financial statements of ICHIA TECHNOLOGIES INC.

Auditor's responsibilities for the audit of the stand-alone financial statements

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

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

1. Identify and assess the risks of material misstatement of the stand-alone financial statements, whether due to fraud or error; design, and perform countermeasures for assessed risks; and obtain evidence that is sufficient and appropriate to provide a basis of audit 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 internal control effective in ICHIA TECHNOLOGIES INC.
3. Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a

material uncertainty exists related to events or conditions that may cast significant doubt on ICHIA TECHNOLOGIES INC to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the stand-alone financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ICHIA TECHNOLOGIES INC. to cease as a going concern.

5. Evaluate the overall presentation, structure, and content of the stand-alone financial statements, including related notes, and whether the stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information or the entities or business activities of ICHIA TECHNOLOGIES INC. to express an opinion on the stand-alone financial statements. We are responsible for the direction, supervision, and performance of the audit of ICHIA TECHNOLOGIES INC. 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 in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to affect on our independence, and other matters (including related protective measures).

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the 2020 stand-alone financial statements of ICHIA TECHNOLOGIES INC. and are therefore the key audit matters. We describe these matters in our auditor's 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.

Deloitte Touche Tohmatsu Limited
CPA Hsieh Ming-Chung

CPA Liu Shu-Lin

Financial Supervisory Commission
approval document
Jin-Guan-Zheng-Shen-Zi No.
1000028068

Financial Supervisory Commission
approval document
Jin-Guan-Zheng-Shen-Zi No.
1050024633

March 16, 2021

ICHIA TECHNOLOGIES, INC.
STANDALONE BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

Assets	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,141,628	13	\$ 659,431	8
Current financial assets at fair value through profit or loss (Notes 4 and 7)	20,001	-	71,145	1
Accounts receivable, net (Notes 4 and 9)	1,501,163	17	1,399,879	17
Receivables from related parties (Notes 4、9 and 27)	1,707	-	392	-
Other receivables from related parties (Notes 27)	41,693	-	36,630	-
Current tax assets (Notes 23)	612	-	1,393	-
Current inventories (Notes 4 and 10)	92,094	1	84,737	1
Other current assets (Notes 15)	29,894	-	32,753	-
Total current assets	<u>2,828,792</u>	<u>31</u>	<u>2,286,360</u>	<u>27</u>
Non-current assets				
Non-current financial assets at amortised cost (Notes 4 and 8)	126,599	1	2,067	-
Investments accounted for using equity method (Notes 4 and 11)	5,104,379	57	5,144,394	61
Property, plant and equipment (Notes 4 and 12)	852,685	9	916,464	11
Right-of-use assets (Notes 4 and 13)	3,205	-	-	-
Deferred tax assets (Notes 4 and 23)	59,883	1	77,980	1
Non-current Defined benefit assets, net (Notes 4 and 19)	19,789	-	19,866	-
Other non-current assets (Notes 15)	43,959	1	12,466	-
Total non-current assets	<u>6,210,499</u>	<u>69</u>	<u>6,173,237</u>	<u>73</u>
Total assets	<u>\$ 9,039,291</u>	<u>100</u>	<u>\$ 8,459,597</u>	<u>100</u>
Liabilities and equity				
Current liabilities				
Short-term loans (Notes 4 and 16)	\$ 981,960	11	\$ 400,000	5
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	98	-
Accounts payable (Notes 17)	92,083	1	69,277	1
Payables to related parties (Notes 17 and 27)	1,518,933	17	1,122,051	13
Current contract liabilities (Notes 21)	2,747	-	1,190	-
Other payables (Notes 18)	48,693	-	49,513	-
Other payables to related parties (Notes 27)	378,784	4	490,834	6
Current lease liabilities (Notes 4 and 13)	1,266	-	-	-
Current portion of long-term debt payable (Notes 4 and 16)	167,191	2	165,066	2
Other current liabilities (Notes 18)	9,015	-	6,462	-
Total current liabilities	<u>3,200,672</u>	<u>35</u>	<u>2,304,491</u>	<u>27</u>
Non-current liabilities				
long-term debt payable (Notes 4 and 16)	126,527	2	293,996	4
Deferred tax liabilities (Notes 4 and 23)	5,339	-	-	-
Non-current lease liabilities (Notes 4 and 13)	1,959	-	-	-
Others non-current liabilities (Notes 18)	1,310	-	2,809	-
Total non-current liabilities	<u>135,135</u>	<u>2</u>	<u>296,805</u>	<u>4</u>
Total liabilities	<u>3,335,807</u>	<u>37</u>	<u>2,601,296</u>	<u>31</u>
Equity (Notes 20)				
Ordinary share	3,075,366	34	3,075,366	36
Capital surplus	2,086,827	23	2,163,711	26
Retained earnings				
Legal reserve	573,593	6	550,914	6
Special reserve	335,706	4	137,012	2
Unappropriated retained earnings	88,717	1	267,004	3
Total retained earnings	<u>998,016</u>	<u>11</u>	<u>954,930</u>	<u>11</u>
Other equity	(295,397)	(3)	(335,706)	(4)
Treasury shares	(161,328)	(2)	-	-
Total equity	<u>5,703,484</u>	<u>63</u>	<u>5,858,301</u>	<u>69</u>
Total liabilities and equity	<u>\$ 9,039,291</u>	<u>100</u>	<u>\$ 8,459,597</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Director: Chuang Yi Investment Co., Ltd
Representative: Huang Chiu-Yung.

Managerial officer: Tseng Kung-Sheng

Accounting officer: Cheng Ching-Yi

ICHIA TECHNOLOGIES, INC.
STANDALONE STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Operating revenue				
Sales revenue (Notes 4, 21 and 27)	\$ 3,681,833	101	\$ 4,126,386	101
Sales returns	(4,973)	-	(6,220)	-
Sales discounts and allowances	(39,050)	(1)	(32,290)	(1)
Net sales revenue	3,637,810	100	4,087,876	100
Operating costs (Notes 4、10, 22 and 27)	3,367,296	93	3,929,819	96
Gross profit from operations	270,514	7	158,057	4
Operating expenses (Notes 22 and 27)				
Selling expenses	40,920	1	41,290	1
Administrative expenses	113,026	3	111,871	3
Research and development expenses	13,177	-	14,358	-
Expected credit impairment loss(gain)	(12,398)	-	6,068	-
Total operating expenses	154,725	4	173,587	4
Net operating income (loss)	115,789	3	(15,530)	-
Non-operating income and expenses (Notes 22 and 27)				
Interest income	1,755	-	3,077	-
Other income	15,046	-	19,264	-
Other gains and losses, net	(33,633)	(1)	182	-
Finance costs, net	(10,623)	-	(21,203)	-
Share of profits of subsidiaries and associates	67,076	2	243,618	6
Total non-operating income and expenses	39,621	1	244,938	6

	2020		2019	
	Amount	%	Amount	%
Income before income tax	\$ 155,410	4	\$ 229,408	6
Income tax expense (Notes 4 and 23)	(35,220)	(1)	(2,616)	-
Net income	<u>120,190</u>	<u>3</u>	<u>226,792</u>	<u>6</u>
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss :				
Gains (losses) on remeasurements of defined benefit plans (Notes 19)	(220)	-	(361)	-
Components of other comprehensive income that will be reclassified to profit or loss :				
Exchange differences arising on translation of foreign operations	<u>40,309</u>	<u>1</u>	(<u>198,694</u>)	(<u>5</u>)
Other comprehensive loss for the year, net of income tax	<u>40,089</u>	<u>1</u>	(<u>199,055</u>)	(<u>5</u>)
Total comprehensive income	<u>\$ 160,279</u>	<u>4</u>	<u>\$ 27,737</u>	<u>1</u>
Earnings per share (Notes 24)				
Basic earnings per share	<u>\$ 0.40</u>		<u>\$ 0.74</u>	
Diluted earnings per share	<u>\$ 0.39</u>		<u>\$ 0.74</u>	

The accompanying notes are an integral part of the parent company only financial statements.

Director: Chuang Yi Investment Co., Ltd
Representative: Huang Chiu-Yung.

Managerial officer: Tseng Kung-Sheng

Accounting officer: Cheng Ching-Yi

ICHIA TECHNOLOGIES, INC.

STANDALONE STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Others	Treasury shares	Total equity
	Shares (In Thousands)	Amount		Legal reserve	Special reserve	Unappropriated retained earning	Exchange differences on translation of foreign financial statements		
BALANCE, JANUARY 1, 2019	317,267	\$ 3,172,676	\$ 2,219,748	\$ 536,403	\$ -	\$ 379,342	(\$ 137,012)	(\$ 186,825)	\$ 5,984,332
Appropriations of earnings									
Legal capital reserve	-	-	-	14,511	-	(14,511)	-	-	-
Special capital reserve	-	-	-	-	137,012	(137,012)	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(153,768)	-	-	(153,768)
Net income in 2019	-	-	-	-	-	226,792	-	-	226,792
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	(361)	(198,694)	-	(199,055)
Total comprehensive income (loss) in 2019	-	-	-	-	-	226,431	(198,694)	-	27,737
Retirement of treasury share	(9,731)	(97,310)	(56,037)	-	-	(33,478)	-	186,825	-
BALANCE, DECEMBER 31, 2019	307,536	3,075,366	2,163,711	550,914	137,012	267,004	(335,706)	-	5,858,301
Appropriations of earnings									
Legal capital reserve	-	-	-	22,679	-	(22,679)	-	-	-
Special capital reserve	-	-	-	-	198,694	(198,694)	-	-	-
Cash dividends to shareholders	-	-	(76,884)	-	-	(76,884)	-	-	(153,768)
Purchase of treasury shares	-	-	-	-	-	-	-	(161,328)	(161,328)
Net income in 2020	-	-	-	-	-	120,190	-	-	120,190
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	-	(220)	40,309	-	40,089
Total comprehensive income (loss) in 2020	-	-	-	-	-	119,970	40,309	-	160,279
BALANCE, DECEMBER 31, 2020	307,536	\$ 3,075,366	\$ 2,086,827	\$ 573,593	\$ 335,706	\$ 88,717	(\$ 295,397)	(\$ 161,328)	\$ 5,703,484

The accompanying notes are an integral part of the parent company only financial statements.

Director: Chuang Yi Investment Co., Ltd
Representative: Huang Chiu-Yung.

Managerial officer: Tseng Kung-Sheng

Accounting officer: Cheng Ching-Yi

ICHIA TECHNOLOGIES, INC.

STANDALONE STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities		
Profit (loss) before tax	\$ 155,410	\$ 229,408
Adjustments for:		
Expected credit loss (gain)	(12,398)	6,068
Depreciation expense	101,186	106,267
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(688)	(1,196)
Interest expense	10,623	21,203
Interest income	(1,755)	(3,077)
Impairment loss (Reversal of impairment loss) on inventories	(9,782)	1,155
Unrealized (realized) gross profit on sales to subsidiaries and associates	(67,076)	(243,618)
Loss (gain) on disposal of property, plan and equipment	(2,239)	(2,307)
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	(90,201)	465,131
Other receivables	(5,063)	(13,740)
Inventories	2,425	(37,402)
Other current assets	2,910	3,267
Other operating assets	(143)	(195)
Contract liabilities	1,557	1,190
Accounts payable	419,688	257,737
Other payable	1,239	(937)
Other current liabilities	<u>2,553</u>	<u>51</u>
Cash generated from operations	508,246	789,005
Interest received	1,779	3,374
Interest paid	(12,682)	(26,997)
Income taxes (paid) proceeds	<u>(11,003)</u>	<u>381</u>
Net cash generated by operating activities	<u>486,340</u>	<u>765,763</u>

(Continued)

	2020	2019
Cash flows from investing activities		
Acquisition of financial assets at amortised cost	(\$ 124,532)	\$ -
Acquisition of financial assets at fair value through profit or loss	(170,000)	(1,341,060)
Proceeds from disposal of financial assets at fair value through profit or loss	221,734	1,505,386
Acquisition of property, plant and equipment	(17,303)	(10,701)
Proceeds from disposal of property, plant and equipment	2,101	234
Increase in refundable deposits	(1,531)	-
Decrease in refundable deposits	-	1,328
Increase in other non-current assets	(1,192)	(3,396)
Increase in prepayments for business facilities	(49,669)	(7,419)
Dividends received from subsidiaries	<u>147,400</u>	<u>-</u>
Net cash used in investing activities	<u>7,008</u>	<u>144,372</u>
Cash flows from financing activities		
Increase in short-term loans	4,407,020	2,090,000
Decrease in short-term loans	(3,825,060)	(2,400,000)
Repayments of long-term debt	(165,344)	(340,809)
Decrease in guarantee deposits received	-	(3,400)
Increase in other payables to related parties	-	22,554
Decrease in other payables to related parties	(112,050)	-
Payments of lease liabilities	(621)	-
Cash dividends paid	(153,768)	(153,768)
Payments to acquire treasury shares	<u>(161,328)</u>	<u>-</u>
Net cash used in financing activities	<u>(11,151)</u>	<u>(785,423)</u>
Net increase in cash and cash equivalents	482,197	124,712
Cash and cash equivalents at beginning of period	<u>659,431</u>	<u>534,719</u>
Cash and cash equivalents at end of period	<u>\$ 1,141,628</u>	<u>\$ 659,431</u>

The accompanying notes are an integral part of the parent company only financial statements.

Director: Chuang Yi Investment Co., Ltd Managerial officer: Tseng Kung-Sheng Accounting officer: Cheng Ching-Yi
Representative: Huang Chiu-Yung.

ICHIA TECHNOLOGIES INC.

Notes to the stand-alone financial statements

January 1 to December 31, 2020 and 2019

(Amounts NTD thousand, unless otherwise stated)

i. Company History

ICHIA TECHNOLOGIES INC. (hereinafter referred to as the Company) was established in November 1989 to manufacture, process, and trade various components (conductive silicone elastomers, plastic keys, keyboard assemblies, input devices, and flexible printed circuit boards) and materials for electronics, home appliances, electronical engineering, electrical equipment, communications (telecommunications), and computers, as well as to import and export domestic and foreign products and to engage in the agency, distribution, tender and quotation business.

The Company's shares have been listed on the Taiwan Stock Exchange since January 14, 2000.

The stand-alone financial statements are presented in New Taiwan dollars (NTD), which is the functional currency of the Company.

ii. Date and Procedure for Approval of Financial Statements

The stand-alone financial statements were approved by the Board of Directors on March 16, 2021.

iii. Application of New and Revised Standards and Interpretations

- (i) First-time application of International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IAS"), Interpretations ("IFRICs") and Interpretations ("SICs") (hereinafter referred to as "IFRSs") endorsed by the Financial Supervisory Commission ("FSC") and issued to be effective

The adoption of the IFRSs endorsed and issued into effect by the FSC will not result in significant changes in the Company's accounting policies:

- (ii) IFRSs endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC") applicable for 2021

<u>The new/amended/revised standards or interpretations</u>	<u>Effective date of IASB publication</u>
Amendment to IFRS 4 "Extension of Provisional Exemption for Application of IFRS 9"	Effective from the date of publication
Amendments to the IFRS 9, IAS 39, and IFRS 7,	Effective for annual

	<u>The new/amended/revised standards or interpretations</u>	<u>Effective date of IASB publication</u>
	IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase II"	reporting periods beginning after January 1, 2021
	Amendment to IFRS 16 "Rent Reduction Associated with COVID-19 Pandemic"	Effective for annual reporting periods beginning after June 1, 2020
(iii)	The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC	
	<u>The new/amended/revised standards or interpretations</u>	<u>Effective date of IASB publication (Note 1)</u>
	"Annual Improvements 2018-2020 Cycle"	January 1, 2022 (Note 2)
	Amendment to IFRS 3 "Update the index of the conceptual framework"	January 1, 2022 (Note 3)
	Amendment to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undecided
	IFRS 17 "Insurance Contracts"	January 1, 2023
	Amendment to IFRS 17	January 1, 2023
	Amendment to IAS 1 "Classification of Liabilities as Current or Noncurrent"	January 1, 2023
	Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
	Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2022 (Note 7)
	Amendment to IAS 16 "Property, Plant and Equipment: Price Before Reaching the Intended State of Use"	January 1, 2022 (Note 4)
	Amendment to IAS 37 "Onerous Contracts - Cost of Performing Contracts"	January 1, 2022 (Note 5)

Note 1: Unless otherwise stated, the aforementioned new/amended/revised standards or interpretation are effective for annual reporting periods beginning after the respective dates.

Note 2: The amendment to IFRS 9 applies to swaps or changes in the terms of financial liabilities that occur in annual reporting periods beginning after January 1, 2022; the amendment to IAS 41 "Agriculture" applies to fair value measurements in annual reporting periods beginning after January 1, 2022; and the amendment to IFRS 1 "First-time

Adoption of IFRSs” applies retrospectively to annual reporting periods beginning after January 1, 2022.

Note 3: This amendment applies to business mergers for which the acquisition date falls within the annual reporting period after January 1, 2022.

Note 4: This amendment applies to plant, property and equipment that begins to operate in the manner such as location and condition expected by management after January 1, 2021.

Note 5: This amendment applies to contracts with unfulfilled obligations as of January 1, 2022.

Note 6: This amendment will be prospective application for annual reporting periods beginning after January 1, 2023.

Note 7: This amendment applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning after January 1, 2023.

The Company will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the Company to the date the parent company only financial statements are approved and released, and will make appropriate disclosure after the evaluation.

iv. Summary of Significant Accounting Policies

(i) Compliance Statement

The stand-alone financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers.

(ii) Basis of preparation

The stand-alone financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of the related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation date (before adjustment).

2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

The Company when preparing the stand-alone financial statements processes the investment in subsidiaries and associates using the equity method. In order to make the same the current profit or loss, other comprehensive income and equity in the stand-alone financial statements as the current year's profit or loss, other comprehensive income and equity attributable to the owners of the Company in the consolidated financial statements, certain accounting differences between the stand-alone basis and consolidated basis are adjusted for "investments accounted for using the equity method," "profit or loss share of subsidiaries, affiliates and joint ventures accounted for using the equity method", "other comprehensive income share of subsidiaries, affiliates and joint ventures accounted for using the equity method" and related equity items.

(iii) Standards in differentiating current and noncurrent assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months of the balance sheet date; and
3. Cash and cash equivalents (excluding those restricted from being exchanged or settled more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities due for settlement within 12 months after the balance sheet date, and
3. Liabilities whose settlement deadline cannot be unconditionally deferred until at least 12 months after the balance sheet date.

Those that are not current assets or liabilities above are classified as noncurrent assets or liabilities.

(iv) Foreign currency

For the transactions conducted in a currency other than the business entity's functional currency (foreign currency), it is to be translated to the

functional currency in accordance with the exchange rate on the transaction date when preparing financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss, except for the following.

When a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future (and therefore forms part of the net investment in the foreign operation), the exchange difference is recognized initially in other comprehensive income and is reclassified from equity to profit or loss upon disposal of the net investment.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as profit or loss in the period. However, for the changes in fair value recognized in other comprehensive income, the exchange difference is recorded in other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Upon preparation of the stand-alone financial reports, the assets and liabilities of overseas operating institutions (including the subsidiaries and affiliates in the countries of business operation or those using currencies different from the Company's) were converted to NTD based on the exchange rate quoted on every balance sheet date. Income and expense items are translated at the average exchange rate for the period and the exchange differences are booked in other comprehensive income.

If the Company disposes of its entire equity interest in a foreign operation, or disposes of part of its equity interest in a subsidiary that includes a foreign operation and loses control, or the retained equity interest after disposing of a joint agreement of a foreign operation or an affiliate is a financial asset and is accounted for as a financial instrument., all cumulative translation differences related to the foreign operation are reclassified to profit or loss.

If the partial disposal of a foreign operating subsidiary does not result in a loss of control, the accumulated exchange differences are included in equity transactions on a pro rata basis, but are not recognized in profit or loss. In the case of any other partial disposal of foreign operations, the cumulative exchange differences are reclassified to profit or loss in proportion to the disposal.

(v) Inventories

Inventories include raw materials, supplies, semi-finished goods, finished goods, work in process and in-transit. Inventories are valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. Inventories are valued at standard costs before book closing and adjusted upon book closing to approximate cost calculated on a weighted-average basis.

(vi) Investments in subsidiaries

The Company adopts the equity method for investment in subsidiaries.

A subsidiary is an entity (including a structured entity) over which the Company has control.

Under the equity method, investments in subsidiaries are originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive income by the Company. Additionally, the change in the interests the Company holds in subsidiaries is recognized pro rata to the shareholding percentages.

When a change in the Company's ownership interest in a subsidiary does not result in a loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term interests that are in substance a component of the Company's net investment in the subsidiary), the

Company continues to recognize losses in proportion to its equity in the subsidiary.

The excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries at the acquisition date is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized; the excess of the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries at the acquisition date over the acquisition cost is recorded as gain or loss for the period. When a subsidiary that does not constitute a business is acquired, the cost of acquisition is appropriately allocated to the identifiable assets acquired (including intangible assets) and the share of liabilities assumed, and no goodwill or current profit is generated.

The Company assesses impairment based on the cash-generating units as a whole in the financial statements and compares their recoverable amounts with their book values. If the amount of recoverable assets increases in the future, the reversal of impairment shall be recognized as income. The book value of the reversal of impaired assets shall not exceed the book value before recognition for impairment net of amortization. Impairment losses attributable to goodwill must not be reversed in subsequent periods.

When control over a subsidiary is lost, the Company measures its remaining investment in the subsidiary at fair value at the date of loss of control. The difference between the fair value of the remaining investment and the carrying amount of the investment at the date of loss of control, if any, is recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to the subsidiary are accounted for on the same basis as if the Company had directly disposed of the related assets or liabilities.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the stand-alone financial statements. Gains or losses from upstream and side-stream transactions with subsidiaries are recognized in the stand-alone financial statements only to the extent that they are not related to the Company's equity interest in the subsidiary.

(vii) Property, plant and equipment

Property, plant, and equipment shall be recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment.

Except for land owned by the Company, which is not depreciated, property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

In removing property, plant, and equipment from book, the difference between the net proceeds of disposition and the book value shall be recognized as profit or loss for the period.

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

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets, intangible assets and assets related to contract costs may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or depreciation) that would have been determined if the impairment loss had not been recognized in prior years for

that asset or cash-generating unit. Reversal of impairment loss is recognized in profit or loss.

(ix) Financial instruments

Financial assets and financial liabilities are recognized in the stand-alone balance sheets when the Company becomes a party to the contracts of such instruments.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

The customary transaction of financial assets is recognized and derecognized in accordance with the trade date accounting.

(1) Type of measurement

The types of financial assets held by the Company are financial assets measured at fair value through profit or loss and financial assets at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are mandatorily measured at fair value through profit or loss and those designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments not designated by the Company as being measured at fair value through other comprehensive income, and investments in debt instruments not qualified for classification as being measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, which is determined as described in Note 26.

B. Financial assets at amortized cost

The Company's financial assets, if meeting both of the following conditions, are classified as financial assets at amortized cost:

- a. Financial assets held under a particular mode of operation and the purpose of holding is for the collection of contractual cash flows; and
- b. The terms of the contracts give rise to cash flows at specified dates that are solely for the payment of principal and interest on the outstanding principal amount.

Financial assets (including cash and cash equivalents, accounts receivable measured at amortized cost) after initial recognition, are measured at their total carrying amount determined using the effective interest method, less amortized cost of any impairment loss, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except for the following two cases:

- a. Interest income on financial assets that are credit-impaired upon acquisition or creation is calculated using the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.
- b. Interest income on financial assets that are not credit-impaired upon acquisition or creation but become credit-impaired subsequently is calculated using the effective interest rate multiplied by the amortized cost of the financial assets from the next reporting period after the impairment.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed amount of cash with minimal risk of changes in value within 3 months from the acquisition date and are used to meet short-term cash commitments.

(2) Impairment of financial assets and contract assets

The Company assesses impairment losses on financial assets measured at amortized cost (including accounts receivable) based on expected credit loss on each balance sheet date.

An allowance for losses is recognized for accounts receivable based on the expected credit loss over the duration. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the lifetime of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the lifetime of the financial instruments means the expected loss of credit from the financial instruments within the lifetime of these financial instruments.

All impairment losses on financial assets are accounted for by reducing the carrying amount through an allowance account.

(3) The derecognition of financial assets

The Company has financial assets derecognized only when the contractual rights from the cash flows of a financial asset become invalid or when the financial assets are transferred, and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When a particular entry of financial assets measured at amortized cost is removed, the difference between its book value and consideration shall be recognized as profit or loss.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method, except for the following.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading and those designated as at fair value through profit or loss.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

3. Derivatives

The derivatives entered into by the Company include forward exchange contracts, which are used to manage the Company's exchange rate risk.

Derivatives are initially recognized at fair value when the derivative contracts are entered into and subsequently remeasured at fair value at the balance sheet date. Gains or losses arising from subsequent measurements are recognized directly in profit or loss, except for derivatives designated as effective hedging instruments, for which the point of recognition in profit or loss will depend on the nature of the hedging. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

For derivatives embedded in asset master contracts within the scope of IFRS 9 "Financial Instruments", the classification of financial assets shall be determined based on the overall contract. A derivative is considered to be a separate derivative if it is embedded in an asset master contract that is not within the scope of IFRS 9 (e.g., embedded in a master contract of a financial liability) and the embedded derivative meets the definition of a derivative, the risks and characteristics of which are not closely related to those of the master contract and the hybrid contract is not measured at fair value through profit or loss.

(x) Revenue recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

Merchandise sales revenues

Merchandise sales revenues are derived from sales of electronic parts and components. The Company recognizes revenues and accounts receivable at the point when the products arrive at the customer's designated location because the customer has the right to determine resale prices and use the products and has the primary responsibility for re-selling the products and bears the risk of obsolescence.

When materials are supplied to subcontractors for processing, the control and the ownership of the processed products have not been transferred, so revenues are not recognized for the materials supplied.

(xi) Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Company is the lessor

A lease is classified as a capital lease when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset to the lessee. All other leases are classified as operating leases.

For an operating lease, the net lease payments of the lease incentives are recognized as income on a straight-line basis over the relevant lease periods. The original direct cost incurred in acquiring an operating lease is added to the carrying amount of the subject asset and recognized as an expense on a straight-line basis over the lease period.

2. The Company is the lessee

Except for the low-value leased assets entitled to exemption and lease payments for short-term leases recognized as expenses on a straight-line basis over the lease period, the right-of-use assets and lease liabilities of other leases are recognized starting from the lease commencement date.

The right-of-use assets are initially measured at cost (including the original measured amount of lease liability, the lease payment paid before the lease commencement date net of the lease incentives collected, the original direct costs, and the estimated cost of the recovered underlying assets), and then subsequently measured at the net cost of the accumulated depreciation and accumulated impairment

loss; also, the remeasured amount of the lease liability is adjusted. Right-of-use assets are expressed separately in the stand-alone balance sheet.

The right-of-use assets are depreciated on a straight-line basis over the period starting from the lease commencement date to the end of their useful life or the expiration of the lease period, whichever is sooner.

Lease liabilities are measured initially at the present value of lease payments (including fixed benefits). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If said lease implied interest rate is not easy to determine, the lease payment is discounted at the lessee's incremental borrowing rate of interest.

Subsequently, the lease liability is measured according to the effective interest method and the amortized cost; also, the interest expense is amortized over the lease period. If a change in the lease period results in a change in future lease payments, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are expressed separately in the stand-alone balance sheet.

(xii) Borrowing costs

Borrowing costs directly attributable to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities have achieved their intended use or sale condition.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the above, all other loan costs are recognized as profit and loss upon occurring.

(xiii) Government subsidies

Government subsidies are recognized only when it is reasonably certain that the Company will comply with the conditions attached to the government subsidies and that the subsidies will be received.

Government subsidies related to revenues are recognized in other income on a systematic basis over the period in which the related costs for which they are intended to compensate are recognized as expenses by the Company.

Government subsidies are recognized in profit or loss in the period in which they become collectible if they are intended to compensate for expenses or losses already incurred or to provide immediate financial support to the Company and have no future related costs.

(xiv) Employee benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are measured at the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The defined benefit cost (including service cost, net interest and remeasurement) of the defined benefit pension plan is actuarially determined using the projected unit credit method. Service cost (including current service cost) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expense as incurred. Remeasurements (including actuarial gains and losses and return on plan assets, net of interest) are recognized in other comprehensive income and included in retained earnings as incurred and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the deficit (remaining) of the defined benefit pension plan appropriation. The net defined benefit asset may not exceed the present value of refunds of appropriations from the plan or reductions in future appropriations.

(xv) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax for the period

Additional income tax on unappropriated earnings calculated in accordance with the Republic of China Income Tax Act is recognized in the year in which resolutions are made at the shareholder meeting.

The adjustment to prior years' income tax payable is booked as current period's income tax.

2. Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the tax bases used to compute taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which income tax credits can be utilized, such as deductions for temporary differences, loss carryforwards and investment tax credits.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, affiliates and joint ventures, except where the Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax assets will be available to allow recovery of all or part of the asset, and part of the asset should be adjusted down. Deferred tax assets that are not recognized as such initially are reviewed on each balance sheet date and the carrying amount is

increased to the extent that it is probable that future taxable income will be available to recover all or part of the assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, which are based on tax rates and tax laws that have been legislated or substantively legislated on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulting from the book value of the assets or liabilities expected by the Company to be recovered or liquidated on the balance sheet date.

3. Current and deferred income tax

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity, which are respectively recognized in other comprehensive income or directly included in the equity.

v. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

When adopting accounting policies, the Company's management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from estimates.

The Company has taken the economic impact of the COVID-19 pandemic into consideration for significant accounting estimates, and management will review the estimates and underlying assumptions on an ongoing basis. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future periods.

vi.	<u>Cash and cash equivalents</u>	December 31, 2020	December 31, 2019
		<hr/>	<hr/>
	Cash on hand and revolving funds	\$ 35	\$ 35
	Bank checking accounts and demand deposits	1,056,144	629,416
	Cash equivalents (investments with an original maturity of less than 3 months)		
	Bank time deposits	56,960	29,980
	Bonds with repurchase agreement	28,489	-
		<u>\$ 1,141,628</u>	<u>\$ 659,431</u>

The interest rate ranges for bank deposits as of the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
	<hr/>	<hr/>
Bank demand deposits	0.01% ~ 0.38%	0.01% ~ 0.38%
Bank time deposits	0.3%	2%
Bonds with repurchase agreement	0.4%	-

vii.	<u>Financial instruments at fair value through profit or loss</u>	December 31, 2020	December 31, 2019
		<hr/>	<hr/>
	<u>Financial assets - current</u>		
	Mandatorily measured at fair value through profit or loss		
	Non-derivative financial assets		
	- Fund beneficiary certificates	<u>\$ 20,001</u>	<u>\$ 71,145</u>
	<u>Financial liabilities - current</u>		
	Held for trading		
	Derivatives (not designated for hedging)		
	- Forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 98</u>
	(1)		

- (i) Forward foreign exchange contracts not subject to hedge accounting and outstanding at the balance sheet date were as follows:

December 31, 2019

	<u>Currency</u>	<u>Expiration Date</u>	<u>Contract Amount (Thousands)</u>
Sale of forward foreign exchange	NTD to USD	December 30, 2019 to January 30, 2020	NTD 150,235 / USD 5,000

The purpose of the Company's forward exchange transactions is to hedge the risk of foreign currency assets and liabilities arising from exchange rate fluctuations.

viii. Financial assets at amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Noncurrent</u>		
Pledge of time deposits (1)	\$ 2,127	\$ 2,067
Restricted foreign exchange deposits with offshore funds (ii)	<u>124,472</u>	<u>-</u>
	<u>\$ 126,599</u>	<u>\$ 2,067</u>

- (i) As of December 31, 2020 and 2019, the market interest rate for time deposits with original maturity over one year was 0.84% and 1.09% per annum, respectively.
- (ii) On August 26, 2020, the Company remitted \$146,285 thousand (USD 5,000 thousand) in accordance with the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" and deposited the net amount after tax in a dedicated account for foreign exchange deposits, as approved by National Taxation Bureau of the Northern Area, Ministry of Finance. The deposits in the dedicated account are subject to restrictions on the free use of the funds as prescribed by law, except for financial investments or real investments and part of the free use of the funds as prescribed by law, which can be withdrawn in three-year increments after five years from the date of deposit in the dedicated account.
- (iii) For information on pledges of financial assets measured at amortized cost, see Note 28.

ix. Accounts receivable and overdue receivables

	December 31, 2020	December 31, 2019
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 1,501,605	\$ 1,400,088
Less: Allowance for loss	(<u>442</u>)	(<u>209</u>)
	<u>\$ 1,501,163</u>	<u>\$ 1,399,879</u>
 Accounts receivable - related party	 <u>\$ 1,707</u>	 <u>\$ 392</u>
 <u>Overdue receivables</u>		
Measured at amortized cost		
Total carrying amount	\$ 54,768	\$ 78,535
Less: Allowance for loss	(<u>54,768</u>)	(<u>78,535</u>)
	<u>\$ -</u>	<u>\$ -</u>
 <u>Accounts receivable</u>		

The average credit period of the Company's merchandise sales is 150 days. In determining the collectibility of accounts receivable, the Company considers any changes in the credit quality of the accounts receivable from the original credit grant date to the balance sheet date.

To mitigate credit risk, the Company's management has assigned a dedicated team to be responsible for credit limit determination, credit approval and other monitoring procedures to ensure that appropriate actions are taken to collect overdue accounts receivable. In addition, the Company reviews the recoverable amounts of accounts receivable on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible accounts receivable. Accordingly, the Company's management believes that the Company's credit risk has been significantly reduced.

An allowance for losses is recognized for accounts receivable by the Company based on the expected credit loss over the duration. Expected credit losses for the duration are calculated using an allowance matrix, which takes into account the customer's past default history and current financial condition, the economic situation of the industry, as well as GDP forecasts and industry outlook. Since the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, therefore, instead of further differentiating the customer groups, the allowance matrix

only sets the expected credit loss rate based on the number of days past due on accounts receivable.

If there is evidence that the counterparty is in serious financial difficulty and the Company cannot reasonably expect to recover the amount, for example, if the counterparty is in liquidation or the debt is overdue for more than 365 days, the Company reclassifies the amount directly to overdue receivable and continues the collection activities, and the amount recovered is offset against the related overdue receivable.

The Company estimated the allowance for losses on accounts receivable based on the allowance matrix as follows:

December 31, 2020

	Not overdue	Overdue 1 to 180 days	Overdue 180 to 365 days	Total
Expected credit loss rate	0%	0.40%	11.97%	-
Total carrying amount	\$ 1,435,844	\$ 64,207	\$ 1,554	\$ 1,501,605
Allowance for loss (Expected credit losses over the duration)	-	(256)	(186)	(442)
Amortized cost	<u>\$ 1,435,844</u>	<u>\$ 63,951</u>	<u>\$ 1,368</u>	<u>\$ 1,501,163</u>

December 31, 2019

	Not overdue	Overdue 1 to 180 days	Overdue 180 to 365 days	Total
Expected credit loss rate	0%	0.3%	0%	-
Total carrying amount	\$ 1,328,505	\$ 71,583	\$ -	\$ 1,400,088
Allowance for loss (Expected credit losses over the duration)	-	(209)	-	(209)
Amortized cost	<u>\$ 1,328,505</u>	<u>\$ 71,374</u>	<u>\$ -</u>	<u>\$ 1,399,879</u>

Information on the changes in the allowance for losses on accounts receivable is as follows:

	2020	2019
Balance at the beginning of the year	\$ 209	\$ 2,765
Add: Provision for impairment loss for the year	484	10,327
Less: Reclassification for the year	(251)	(12,883)
Balance at the end of the year	<u>\$ 442</u>	<u>\$ 209</u>

Information on the changes in the allowance for losses on overdue receivables is as follows:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 78,535	\$ 75,309
Add: Reclassification for the year	251	12,883
Less: Actual write off for the year	(11,136)	(5,398)
Less: Reversal of impairment loss for the year	(<u>12,882</u>)	(<u>4,259</u>)
Balance at the end of the year	<u>\$ 54,768</u>	<u>\$ 78,535</u>

x. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished good	\$ 60,679	\$ 70,249
Semi-finished goods	552	196
Work in progress	6,347	1,819
Raw materials and supplies	9,426	9,377
In-transit	<u>15,090</u>	<u>3,096</u>
	<u>\$ 92,094</u>	<u>\$ 84,737</u>

The nature of cost of goods sold is as follows:

	<u>2020</u>	<u>2019</u>
Cost of inventories sold	\$ 3,364,898	\$ 3,947,887
(Gain on reversal of) loss on decline in value of inventories (1)	(9,782)	1,155
Others	<u>12,180</u>	(<u>19,223</u>)
	<u>\$ 3,367,296</u>	<u>\$ 3,929,819</u>

- (i) The increase in net realizable value of inventories was due to the disposal of slow-moving inventories and the reversal of allowances and slow-moving inventories.

xi. Investments accounted for using the equity method

Investments in subsidiaries

	December 31, 2020	December 31, 2019
ICHIA USA Inc.	\$ 37,283	\$ 36,800
ICHIA HOLDINGS (B.V.I) Co., Ltd.	<u>5,067,096</u>	<u>5,107,594</u>
	<u>\$ 5,104,379</u>	<u>\$ 5,144,394</u>

Percentage of ownership interest and
voting rights

Subsidiary name	December 31, 2020	December 31, 2019
ICHIA USA Inc.	100%	100%
ICHIA HOLDINGS (B.V.I) Co., Ltd.	100%	100%

The Company invested in ICHIA INTERNATIONAL TRADING LTD.(BVI) (hereinafter referred to as ICHIA INTERNATIONAL) through BVI-ICHIA, and the Company disposed of ICHIA INTERNATIONAL on August 10, 2020. Please refer to Note 26 to the Consolidated Financial Statements for the disclosure of the Company's disposal of subsidiaries.

Please refer to Note 32 for the details of the Company's indirect investment in subsidiaries.

The shares of profit or loss and other comprehensive income of the subsidiaries under the equity method for the years ended December 31, 2020 and 2019 were recognized based on the audited financial statements of each subsidiary for the same period.

xii. Property, plant and equipment

Self-use

	Self-owned land	Buildings	Machinery and equipment	Other equipment	Total
<u>Cost</u>					
Balance as of January 1, 2020	\$ 516,225	\$ 534,618	\$ 539,305	\$ 235,518	\$ 1,825,666
Addition	-	-	9,853	7,450	17,303
Disposal	-	(95)	(23,336)	(22,152)	(45,583)
Reclassification	-	890	16,968	2,966	20,824
Balance as of December 31, 2020	<u>\$ 516,225</u>	<u>\$ 535,413</u>	<u>\$ 542,790</u>	<u>\$ 223,782</u>	<u>\$ 1,818,210</u>
<u>Accumulated depreciation and impairment</u>					
Balance as of January 1, 2020	\$ -	\$ 344,244	\$ 368,059	\$ 196,899	\$ 909,202
Disposal	-	(95)	(23,336)	(20,791)	(44,222)
Depreciation expense	-	19,264	64,167	17,114	100,545
Balance as of December 31, 2020	<u>\$ -</u>	<u>\$ 363,413</u>	<u>\$ 408,890</u>	<u>\$ 193,222</u>	<u>\$ 965,525</u>
Net as of December 31, 2020	<u>\$ 516,225</u>	<u>\$ 172,000</u>	<u>\$ 133,900</u>	<u>\$ 30,560</u>	<u>\$ 852,685</u>

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	Self-owned land	Buildings	Machinery and equipment	Other equipment	Total
<u>Cost</u>					
Balance as of January 1, 2019	\$ 288,562	\$ 422,881	\$ 521,456	\$ 242,427	\$ 1,475,326
Addition	-	550	7,128	3,023	10,701
Disposal	-	-	-	(11,698)	(11,698)
Assets from operating leases	227,663	110,241	-	-	337,904
Reclassification	-	946	10,721	1,766	13,433
Balance as of December 31, 2019	<u>\$ 516,225</u>	<u>\$ 534,618</u>	<u>\$ 539,305</u>	<u>\$ 235,518</u>	<u>\$ 1,825,666</u>
<u>Accumulated depreciation and impairment</u>					
Balance as of January 1, 2019	\$ -	\$ 300,313	\$ 303,929	\$ 185,459	\$ 789,701
Disposal	-	-	-	(11,454)	(11,454)
Assets from operating leases	-	27,680	-	-	27,680
Depreciation expense	-	16,251	64,130	22,894	103,275
Balance as of December 31, 2019	<u>\$ -</u>	<u>\$ 344,244</u>	<u>\$ 368,059</u>	<u>\$ 196,899</u>	<u>\$ 909,202</u>
Net as of December 31, 2019	<u>\$ 516,225</u>	<u>\$ 190,374</u>	<u>\$ 171,246</u>	<u>\$ 38,619</u>	<u>\$ 916,464</u>

Depreciation expense is provided on a straight-line basis over the following useful life:

Buildings	
Main structures	51 years
Air conditioning system	26 years
Improvement to main structures	4 to 51 years
Machinery and equipment	13 years
Other equipment	16 years

For the amount of self-use property, plant and equipment used as collaterals for loans, please refer to Note 28.

xiii. Lease Agreement

(i) Right-of-use assets.

	December 31, 2020	December 31, 2019
Carrying amount of right-of-use assets		
Transportation equipment	<u>\$ 3,205</u>	<u>\$ -</u>
	2020	2019
Addition of right-of-use assets.	<u>\$ 3,846</u>	<u>\$ -</u>
Depreciation expense of right-of-use assets		
Transportation equipment	<u>\$ 641</u>	<u>\$ -</u>

Other than the above additions and depreciation expense recognized, there were no significant subleases or impairments of the Company's right-of-use assets in 2020 and 2019.

(ii) Lease liabilities

	December 31, 2020	December 31, 2019
Carry amount of lease liabilities		
Current	<u>\$ 1,266</u>	<u>\$ -</u>
Noncurrent	<u>\$ 1,959</u>	<u>\$ -</u>

The discount rate range for lease liabilities is as follows:

	December 31, 2020	December 31, 2019
Transportation equipment	2.5%	-

(iii) Information on other leases

Please refer to Note 14 for the Company's agreements to lease investment properties under operating leases.

	2020	2019
Short-term lease expenses	<u>\$ 21</u>	<u>\$ 97</u>
Low-value asset lease expenses	<u>\$ 183</u>	<u>\$ 144</u>
Total cash (outflow) from leases	<u>(\$ 870)</u>	<u>(\$ 241)</u>

The Company has elected to apply the recognition exemption to leases of buildings, structures and office equipment that qualify as short-term leases and certain other equipment that qualify as low-value asset leases and does not recognize the related right-of-use assets and lease liabilities for these leases.

Short-term lease expense for 2019 also included other leases with lease periods ending before December 31, 2019 and for which the recognition exemption was elected. The amount of short-term lease commitments for which the recognition exemption was applicable (including short-term lease commitments commencing after the balance sheet date) was \$463 thousand and \$396 thousand as of December 31, 2020 and 2019, respectively.

The Company has no commitments to enter into leases for periods beginning after the balance sheet date.

xiv. Investment Properties

	<u>Completed investment properties</u>
<u>Cost</u>	
Balance as of January 1, 2019	\$ 337,904
Transferred to property, plant and equipment	(<u>337,904</u>)
Balance as of December 31, 2019	<u>\$ -</u>
<u>Accumulated depreciation and impairment</u>	
Balance as of January 1, 2019	(\$ 24,688)
Depreciation expense	(2,992)
Transferred to property, plant and equipment	<u>27,680</u>
Balance as of December 31, 2019	<u>\$ -</u>
Net as of December 31, 2019	<u>\$ -</u>

Depreciation expense of investment properties is provided on a straight-line basis over the following useful life:

Main structures	51 years
Elevator equipment	16 years
Air conditioning system	10 years
Improvement to main structures	4 to 49 years

All of the Company's investment properties are owned by the Company.

xv. Other assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepaid expenses	\$ 14,075	\$ 14,583
Tax overpaid retained	9,670	12,448
Other receivables	2,267	2,073
Temporary payments	28	172
Others	<u>3,854</u>	<u>3,477</u>
	<u>\$ 29,894</u>	<u>\$ 32,753</u>
<u>Noncurrent</u>		
Prepaid equipment (Note 29)	\$ 29,670	\$ 900
Refundable deposits	7,977	6,446
Long-term prepaid expenses	<u>6,312</u>	<u>5,120</u>
	<u>\$ 43,959</u>	<u>\$ 12,466</u>

xvi. Borrowings

(i) Short-term borrowings

	December 31, 2020	December 31, 2019
<u>Unsecured borrowings</u>		
Credit facility borrowings	<u>\$ 981,960</u>	<u>\$ 400,000</u>

As of December 31, 2020 and 2019, the interest rates on bank borrowings for operating turnover ranged from 0.90% to 1.036% and 0.98% to 1.10%, respectively.

(ii) Long-term borrowings

	December 31, 2020	December 31, 2019
Secured borrowings (Note 28)		
Bank borrowings	\$ 293,718	\$ 459,062
Less: Classified as due within 1 year	(<u>167,191</u>)	(<u>165,066</u>)
Long-term borrowings	<u>\$ 126,527</u>	<u>\$ 293,996</u>

The bank borrowings were secured by pledges of the Company's self-owned land and buildings (see Note 28). The maturity date of the borrowings is September 11, 2022, and the effective interest rates are 1.03% and 1.28% per annum for the years ended December 31, 2020 and 2019, respectively.

The Company's borrowings consist of:

	Maturity date	Major terms and conditions	Effective interest rate	December 31, 2020	December 31, 2019
Floating rate borrowings:	2022-09-11	Chang Hwa Commercial Bank, Ltd.			
		The borrowing amount is \$500,000 thousand with interest rates ranging from 1.0% to 1.5% to finance the medium-term operating turnover. The borrowing period is from September 11, 2017 to September 11, 2022, with monthly interest deductions. Repayment is made on the 11th day of each month, starting from October 11, 2019, in 36 equal installments of principal and interest.	1.03%	\$ 293,718	\$ 459,062
		Less: Classified as due within 1 year		(<u>167,191</u>)	(<u>165,066</u>)
		Long-term borrowings		<u>\$ 126,527</u>	<u>\$ 293,996</u>

xvii.	<u>Accounts payable</u>	December 31, 2020	December 31, 2019
	<u>Accounts payable</u>		
	Non-related party - Occurred due to business	\$ 92,083	\$ 69,277
	Related party - Occurred due to business	\$ 1,518,933	\$ 1,122,051

The average credit period for the purchase of goods is one to three months, and no interest is accrued on the accounts payable. The Company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit periods.

xviii.	<u>Other liabilities</u>	December 31, 2020	December 31, 2019
	<u>Current</u>		
	Other payables		
	Salaries and bonuses payable	\$ 22,735	\$ 26,637
	Leave payables	10,549	9,930
	Interest payables	582	526
	Other expense payables	14,827	12,420
		\$ 48,693	\$ 49,513
	Other liabilities		
	Temporary receipts	\$ 8,763	\$ 5,737
	Others	252	725
		\$ 9,015	\$ 6,462
	<u>Noncurrent</u>		
	Other liabilities		
	Deferred credits	\$ 1,310	\$ 2,809

xix. Post-employment benefit plans

(i) Defined contribution plan

The pension system of the Company under the "Labor Pension Act" is a government-administered defined contribution pension plan with 6% of employees' monthly salaries contributed to the personal accounts at the Bureau of Labor Insurance.

(ii) Defined benefit plan

The pension system of the Company under the “Labor Standards Act” is a government-administered defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The Company appropriate 2% of employees’ monthly salaries as pension funds, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the name of the Committee into a dedicated account at the Bank of Taiwan. Before the end of the year, if the balance in the dedicated account is estimated to be insufficient to pay for employees who are expected to meet the retirement requirements in the following year, the difference will be made up in one lump sum by the end of March of the following year. The management of the dedicated account is entrusted to the Bureau of Labor Funds, Ministry of Labor. The Company has no right to influence the investment management strategy.

The amounts included in the stand-alone balance sheets for defined benefit plan are shown below:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 25,558	\$ 23,716
Fair value of plan assets	(<u>45,347</u>)	(<u>43,582</u>)
Net defined benefit assets	(<u>\$ 19,789</u>)	(<u>\$ 19,866</u>)

Changes in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
January 1, 2019	<u>\$ 21,842</u>	<u>(\$ 41,874)</u>	<u>(\$ 20,032)</u>
Service costs			
Service costs for the period	55	-	55
Interest expenses (incomes)	<u>273</u>	<u>(523)</u>	<u>(250)</u>
Recognized in profit or loss	<u>328</u>	<u>(523)</u>	<u>(195)</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	<u>(1,389)</u>	<u>(1,389)</u>
Actuarial losses			
- Change in financial assumptions	565	-	565
- Adjustments through experience	<u>1,185</u>	<u>-</u>	<u>1,185</u>
Recognized in other comprehensive income	<u>1,750</u>	<u>(1,389)</u>	<u>361</u>
Benefit payments	<u>(204)</u>	<u>204</u>	<u>-</u>
December 31, 2019	<u>23,716</u>	<u>(43,582)</u>	<u>(19,866)</u>
Service costs			
Service costs for the period	56	-	56
Interest expenses (incomes)	<u>237</u>	<u>(436)</u>	<u>(199)</u>
Recognized in profit or loss	<u>293</u>	<u>(436)</u>	<u>(143)</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	<u>(1,329)</u>	<u>(1,329)</u>
Actuarial losses			
- Change in financial assumptions	450	-	450
- Adjustments through experience	<u>1,099</u>	<u>-</u>	<u>1,099</u>
Recognized in other comprehensive income	<u>1,549</u>	<u>(1,329)</u>	<u>220</u>
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2020	<u>\$ 25,558</u>	<u>(\$ 45,347)</u>	<u>(\$ 19,789)</u>

The amounts recognized in profit or loss for defined benefit plan are summarized by function as follows:

	2020	2019
Operating costs	(\$ 15)	(\$ 22)
Promotional expenses	(4)	(6)
Administrative expenses	(110)	(148)
R&D expenses	(14)	(19)
	<u>(\$ 143)</u>	<u>(\$ 195)</u>

The Company is exposed to the following risks as a result of the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic and foreign equity securities, debt securities, and bank deposits through its own management or entrusted third parties, but the amount allocated to the Consolidated Company's plan assets is based on the income at a rate no less than the local bank's 2-year time deposit rate.
2. Interest rate risk: A decrease in interest rates on government/corporate bonds will increase the present value of the defined benefit obligation, but the return on debt investment in plan assets will also increase, which will have a partially offsetting effect on the net defined benefit obligation.
3. Salary Risk: The present value of the defined benefit obligation is calculated by reference to the future salary of the plan member. Therefore, increases in plan member's salary will result in an increase in the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligation was actuarially determined by a qualified actuary and the significant assumptions at the measurement date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.80%	1.00%
Expected rate of salary increase	3.00%	3.00%

The amount by which the present value of the defined benefit obligation would increase (decrease) if there are reasonable possible changes in

significant actuarial assumptions, with all other assumptions held constant, is as follows:

	December 31, 2020	December 31, 2019
Discount rate		
Increase by 0.25%	(\$ 556)	(\$ 560)
Decrease by 0.25%	<u>\$ 577</u>	<u>\$ 582</u>
Expected rate of salary increase		
Increase by 1%	<u>\$ 2,385</u>	<u>\$ 2,415</u>
Decrease by 1%	<u>(\$ 2,097)</u>	<u>(\$ 2,113)</u>

The sensitivity analysis above may not reflect actual changes in the present value of the defined benefit obligation because the actuarial assumptions may be correlated and changes in only one assumption are not feasible.

	December 31, 2020	December 31, 2019
Average duration to maturity of defined benefit obligations	13.7 years	14.6 years

xx. Equity

(i) Common stock

	December 31, 2020	December 31, 2019
Authorized number of shares (thousand shares)	<u>600,000</u>	<u>420,000</u>
Authorized capital stock	<u>\$ 6,000,000</u>	<u>\$ 4,200,000</u>
Number of shares issued and fully paid (thousand shares)	<u>307,536</u>	<u>307,536</u>
Issued capital stock	<u>\$ 3,075,366</u>	<u>\$ 3,075,366</u>

The issued common stock has a face value of NT\$10 per share and each share is entitled to one voting right and receiving dividends.

30,000 thousand shares of the authorized capital stock were reserved for the issuance of convertible bonds and employee restricted stock options.

On March 25, 2019, the Board of Directors resolved to retire 9,731 thousand shares of treasury stock and the change registration was completed on April 10, 2019.

Incorporation is described in Note 22(7) Employees' Remuneration and Directors' Remuneration.

Based on the resolution of a majority of directors at the meeting attended by two-thirds of the total number of directors, the Company shall distribute the dividend and bonus, in whole or in part, in the form of cash and report to the shareholders' meeting.

The legal reserve should be appropriated until the balance reaches the Company's total paid-in capital. The legal reserve may be used to make up for losses. If the Company has no losses, the excess of legal reserve over 25% of the paid-in capital may be distributed in cash in addition to capitalization as equity.

The Company has provided and reversed the special reserve in accordance with the letters Jin-Guan-Zheng-Fa-Zi Nos. 1010012865, 1010047490 and 1030006415 and the provisions of the "Questions and Answers on the Application of International Financial Reporting Standards (IFRSs) to the Provision of Special Reserve".

At the regular shareholders' meetings held on June 12, 2020 and June 14, 2019, the Company resolved to distribute the earnings for 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Legal reserve	\$ <u>22,679</u>	\$ <u>14,511</u>
Special reserve	\$ <u>198,694</u>	\$ <u>137,012</u>
Cash dividends	\$ <u>153,768</u>	\$ <u>153,768</u>
Cash dividends per share	\$ 0.5	\$ 0.5

The Board of Directors proposed the following earnings distribution for 2020 on March 16, 2021:

	<u>Earnings distribution proposal</u>
Legal reserve	\$ <u>11,997</u>
Special reserve	(\$ <u>40,309</u>)
Cash dividends	\$ <u>148,768</u>
Cash dividends per share	\$ 0.5

The earnings proposal for 2020 is pending resolution at the shareholders' meeting scheduled for June 21, 2021.

(iv) Treasury stock

<u>Reason for recovery</u>	<u>Transfer of shares to employees (thousand shares)</u>	<u>Repurchase for retirement (thousand shares)</u>	<u>Shares of parent company held by subsidiaries (thousand shares)</u>	<u>Total (thousand shares)</u>
Number of shares as of January 1, 2020	-	-	-	-
Increase in the year	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Number of shares as of December 31, 2020	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Number of shares as of January 1, 2019	9,731	-	-	9,731
Decrease in the year	<u>(9,731)</u>	<u>-</u>	<u>-</u>	<u>(9,731)</u>
Number of shares as of December 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

On July 27, 2020, the Board of Directors resolved to repurchase 10,000 thousand shares of the Company's common stock to employees for the period from July 28, 2020 to September 25, 2020 at a price range of \$12 to \$18 in order to motivate employees and enhance their cohesiveness to the Company. As of the end of the repurchase period (September 25, 2020), the Company had repurchased 10,000 thousand shares for a total of \$161,328 thousand.

The repurchased shares shall be transferred to employees within 5 years in accordance with the Securities and Exchange Act. If the shares are not transferred after the expiration date, they shall be considered as unissued shares of the Company and shall be registered for change.

Treasury stock held by the Company cannot be pledged under the Securities and Exchange Act, and is not entitled to dividend distribution or voting rights.

xxi.	<u>Revenues</u>	<u>2020</u>	<u>2019</u>
	Customer contract revenues		
	Merchandise sales revenues	\$ 3,637,810	\$ 4,087,876
	Lease incomes		
	Investment Properties (Note 14)	<u>-</u>	<u>7,872</u>
		<u>\$ 3,637,810</u>	<u>\$ 4,095,748</u>
	<u>Contract balance</u>		
		<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	Accounts receivable (including related party) (Note 9)	<u>\$ 1,502,870</u>	<u>\$ 1,400,271</u>
	Contract liabilities - current		
	Merchandise sales	<u>\$ 2,747</u>	<u>\$ 1,190</u>

The change in contract liabilities mainly arises from the difference between the point at which performance obligations are satisfied and the point at which customers pay.

xxii.	<u>Net profits before tax</u>		
(i)	Interest incomes	<u>2020</u>	<u>2019</u>
	Bank deposits	\$ 1,390	\$ 1,195
	Bonds with repurchase agreement	13	-
	Financial assets at amortized cost	345	1,876
	Imputed interest on deposits	<u>7</u>	<u>6</u>
		<u>\$ 1,755</u>	<u>\$ 3,077</u>
(ii)	Other incomes	<u>2020</u>	<u>2019</u>
	Lease incomes		
	Rental incomes from operating lease		
	- Investment properties	\$ -	\$ 7,872
	- Rental incomes from dormitory and parking lot	<u>835</u>	<u>595</u>
		835	8,467
	Government subsidy incomes	5,017	-
	Management service incomes	15	9,014
	Compensation incomes	6,036	-
	Others	<u>3,143</u>	<u>1,783</u>
		<u>\$ 15,046</u>	<u>\$ 19,264</u>

(iii)	Other incomes (expenses)	2020	2019
	Gain (loss) on financial assets (Note 7)		
	Financial assets mandatorily measured at fair value through profit or loss		
	- Realized	\$ 589	\$ 129
	- Unrealized	<u>1</u>	<u>1,165</u>
		<u>590</u>	<u>1,294</u>
	Financial liabilities held for trading		
	- Realized	98	-
	- Unrealized	<u>-</u>	<u>(98)</u>
		<u>98</u>	<u>(98)</u>
		<u>688</u>	<u>1,196</u>
	Net foreign currency exchange loss	(36,561)	(2,306)
	Gain on disposal of property, plant and equipment	2,239	2,307
	Others	<u>1</u>	<u>(1,015)</u>
		<u>(\$ 33,633)</u>	<u>\$ 182</u>
(iv)	Financial costs	2020	2019
	Interest on borrowings from related parties	\$ -	\$ 7,088
	Interest on bank borrowings	10,578	14,115
	Interest on lease liabilities	<u>45</u>	<u>-</u>
		<u>\$ 10,623</u>	<u>\$ 21,203</u>
	No interest capitalization in 2020 and 2019.		
(v)	Depreciation	2020	2019
	Depreciation expense is summarized by function		
	Operating costs	\$ 89,635	\$ 91,291
	Operating expenses	<u>11,551</u>	<u>14,976</u>
		<u>\$ 101,186</u>	<u>\$ 106,267</u>

(vi) Employee benefit expenses

	<u>2020</u>	<u>2019</u>
Post-employment benefits		
Defined contribution plans	\$ 5,312	\$ 4,833
Defined benefit plan (Note 19)	(<u>143</u>)	(<u>195</u>)
	5,169	4,638
Other employee benefits	<u>135,328</u>	<u>119,791</u>
Total employee benefit expenses	<u>\$ 140,497</u>	<u>\$ 124,429</u>
Summarized by function		
Operating costs	\$ 45,749	\$ 31,013
Operating expenses	<u>94,748</u>	<u>93,416</u>
	<u>\$ 140,497</u>	<u>\$ 124,429</u>

(vii) Employees' remuneration and directors' remuneration.

In accordance with the Company's Articles of Incorporation, the Company appropriates no less than 1% and no more than 3% of the profits before tax to employees' and directors' remuneration, respectively, for the year before the distribution of employees' and directors' remuneration. The estimated remuneration to employees and directors for the years ended 2020 and 2019 were resolved by the Board of Directors on March 16, 2021 and March 18, 2019, respectively, as follow:

Estimated percentage

	<u>2020</u>	<u>2019</u>
Remuneration to employees	4.18%	3.30%
Remuneration to directors	2.94%	2.06%

Amount

	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Remuneration to employees	\$ 7,000	\$ 8,000
Remuneration to directors	4,919	5,000

If there is a change in the amount of the stand-alone financial statements after the date of its issuance, the amount is adjusted in the following year in accordance with the rules related to changes in accounting estimates.

There was no difference between the actual amount of employees' and directors' remuneration paid for 2019 and 2018 and the amount recognized in the stand-alone financial statements in 2019 and 2018.

Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange for information on the remuneration of employees and directors resolved by the Board of Directors of the Company.

(viii) Foreign currency exchange gains (losses)

	<u>2020</u>	<u>2019</u>
Total foreign currency exchange gains	\$ 89,822	\$ 98,787
Total foreign currency exchange (losses)	(<u>126,383</u>)	(<u>101,093</u>)
Net gains (losses)	(<u>\$ 36,561</u>)	(<u>\$ 2,306</u>)

xxiii. Income tax

(i) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	<u>2020</u>	<u>2019</u>
Income tax for the period		
Prior year adjustment	(\$ 8)	\$ -
Repatriation of offshore funds	<u>11,792</u>	<u>-</u>
	<u>11,784</u>	<u>-</u>
Deferred tax		
Occurred in the year	26,835	373
Prior year adjustment	(<u>3,399</u>)	<u>2,243</u>
	<u>23,436</u>	<u>2,616</u>
Income tax expenses recognized in profit or loss	<u>\$ 35,220</u>	<u>\$ 2,616</u>

The reconciliation of accounting income to income tax expense is as follows:

	<u>2020</u>	<u>2019</u>
Net profits before tax	<u>\$ 155,410</u>	<u>\$ 229,408</u>
Income tax expenses at statutory tax rate on net profits before tax	\$ 31,082	\$ 45,882
Non-deductible expenses for tax purposes	6,679	3,781
Tax-exempt incomes	(14,465)	(49,290)
Unrecognized loss carryforwards	3,539	-
Adjustments to prior years' deferred tax expenses recorded in the year	(3,399)	2,243
Adjustments to prior years' current income tax benefits recorded in the period	(8)	-
Repatriation of offshore funds	<u>11,792</u>	<u>-</u>
Income tax expenses recognized in profit or loss	<u>\$ 35,220</u>	<u>\$ 2,616</u>

In July 2019, the President of Taiwan announced the promulgation of "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act", with new rules that if a profit-seeking enterprise applies for repatriation of funds within the approved period from August 15, 2019 to August 14, 2020, the tax rate applicable to the repatriation of funds is reduced from 20% to 8% and the repatriated funds should be deposited into a dedicated account, and the receiving bank will deduct the tax when the funds are deposited into the dedicated account. On August 26, 2020, the Company was approved to remit \$147,400 thousand (USD 5,000 thousand) by the National Taxation Bureau, Ministry of Finance, and the tax amount was \$11,792 thousand based on the applicable tax rate of 8%.

(ii) Current income tax assets

	December 31, 2020	December 31, 2019
Current income tax assets		
Tax refund receivable	<u>\$ 612</u>	<u>\$ 1,393</u>

(iii) Deferred tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2020

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
<u>Deferred tax assets</u>			
Temporary difference			
Leave payables	\$ 1,985	\$ 124	\$ 2,109
Defined benefit pension plan	962	(29)	933
Unrealized gain on decline in value of inventories	3,618	(1,956)	1,662
Allowance for loss Impairment of property, plant and equipment	12,791	(4,865)	7,926
Unrealized exchange gains	1,216	-	1,216
Others	(238)	238	-
	<u>563</u>	<u>(300)</u>	<u>263</u>
	20,897	(6,788)	14,109
Loss carryforwards	<u>57,083</u>	<u>(11,309)</u>	<u>45,774</u>
	<u>\$ 77,980</u>	<u>(\$ 18,097)</u>	<u>\$ 59,883</u>
<u>Deferred tax liabilities</u>			
Temporary difference			
Unrealized exchange gains	<u>\$ -</u>	<u>(\$ 5,339)</u>	<u>(\$ 5,339)</u>

2019

	Balance at the beginning of the year	Recognized in profit or loss	Balance at the end of the year
<u>Deferred tax assets</u>			
Temporary difference			
Leave payables	\$ 1,918	\$ 67	\$ 1,985
Defined benefit pension plan	1,001	(39)	962
Unrealized loss on decline in value of inventories	3,387	231	3,618
Allowance for loss	11,716	1,075	12,791
Impairment of property, plant and equipment	1,216	-	1,216
Others	1,025	(462)	563
Unrealized exchange gains	<u>2,863</u>	<u>(3,101)</u>	<u>(238)</u>
	23,126	(2,229)	20,897
Loss carryforwards	<u>57,470</u>	<u>(387)</u>	<u>57,083</u>
	<u>\$ 80,596</u>	<u>(\$ 2,616)</u>	<u>\$ 77,980</u>

- (iv) Unused loss carryforwards for deferred tax assets not recognized in the stand-alone balance sheets

	December 31, 2020	December 31, 2019
Loss carryforwards		
Expire in 2029	<u>\$ 17,693</u>	<u>\$ -</u>

- (v) Information on unused loss carryforwards

Information on loss carryforwards for the year ended December 31, 2020 is as follows:

<u>Not yet used balance</u>	<u>Final year of use</u>
\$ 149,134	2027
71,149	2028
<u>26,278</u>	2029
<u>\$ 246,561</u>	

- (vi) Income tax assessment

The Company's income tax returns have been assessed by the tax authorities up to 2018, but not yet for 2019.

xxiv. Earnings per share

Weighted-average number of shares of common stock used to calculate earnings per share is as follows:

Net profits for the year

	<u>2020</u>	<u>2019</u>
Net profits used to calculate basic earnings per share	<u>\$ 120,190</u>	<u>\$ 226,792</u>
Net profits used to calculate diluted earnings per share	<u>\$ 120,190</u>	<u>\$ 226,792</u>

Number of shares Unit: Thousand shares

	<u>2020</u>	<u>2019</u>
Weighted-average number of shares of common stock used to calculate basic earnings per share	304,024	307,536
Impact of potential common stock with dilutive effect:		
Remuneration to employees	<u>540</u>	<u>731</u>
Weighted-average number of shares of common stock used to calculate diluted earnings per share	<u>304,564</u>	<u>308,267</u>

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, the calculation of the diluted earnings per share assumes that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. The diluting effect of these potential common shares also continues to be considered in the calculation of diluted earnings per share before the resolution on the number of shares awarded to employees as remuneration or profit-sharing in the following year's resolution.

xxv. Capital risk management

The Company engages in capital management to ensure that it can maximize shareholder returns by optimizing debt and equity balances while continuing to operate.

The Company's capital structure consists of net debt (i.e., borrowings less cash and cash equivalents) and equity (i.e., capital stock, capital surplus, retained earnings and other equity).

The Company is not subject to any other external capital requirements.

The Company's key management reviews the Company's capital structure annually, which includes consideration of the cost of various types of capital and the associated risks. The Company will balance its overall capital structure by paying dividends, issuing new shares, repurchasing shares and issuing new debt or paying off old debt, as recommended by key management.

xxvi. Financial instruments

- (i) Fair value information - Financial instruments that are not measured at fair value

The Company's management believes that the carrying amounts of financial assets and financial liabilities that are not measured at fair value on the balance sheet approximate their fair values.

- (ii) Fair value information - Financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Fund beneficiary certificates	<u>\$ 20,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,001</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Fund beneficiary certificates	<u>\$ 71,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,145</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Non-derivative financial liabilities held for trading	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ 98</u>

There were no transfers between Level 1 and Level 2 fair value measurements in 2020 and 2019.

2. Level 2 fair value measurement valuation techniques and input values

<u>Class of financial instruments</u>	<u>Valuation techniques and input values</u>
Derivatives - Forward foreign exchange contracts	The discounted cash flow method: The future cash flows are estimated based on observable forward exchange rates and contracted exchange rates at the end of the period, and are discounted at a rate that reflects the credit risk of each counterparty.

(iii) Types of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial asset</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$ 20,001	\$ 71,145
Financial assets at amortized cost (Note 1)	2,820,767	2,104,845
<u>Financial liabilities</u>		
Measured at fair value through profit or loss		
Held for trading	-	98
Measured at amortized cost (Note 2)	3,280,887	2,554,170

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost, including short-term borrowings, accounts payable (including related parties), other payables (including related parties excluding employee benefits payable), long-term borrowings due within one year, long-term borrowings and deposits received.

(iv) Financial risk management objectives and policies

The Company's major financial instruments include investments in equity instruments, accounts receivable, accounts payable, borrowings and notes payable. The risks associated with the operations of the above financial instruments include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

1. Market risk

The main financial risks to which the Company is exposed as a result of its operating activities are changes in foreign currency exchange rates (see (1) below) and changes in interest rates (see (2) below).

(1) Exchange rate risk

The Company engages in foreign currency-denominated sales and purchase transactions, which expose the Company to exchange rate risk. The Company manages its exposure to exchange rate risk by using forward exchange contracts and options to the extent permitted by policy.

The carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date are shown in Note 31.

Sensitivity analysis

The Company is primarily affected by fluctuations in the USD exchange rate.

The following table details the sensitivity analysis of the Company when the exchange rate of the NTD (functional currency) increases and decreases by 1% against each relevant foreign currency. 1% is the sensitivity percentage used for the Company's internal reporting of exchange rate risk to key management and represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency monetary items and forward exchange contracts designated as cash flow hedges, and adjusts their year-end translation by a 1% change in exchange rates. The negative amount for USD below represents the decrease in net profits

before tax when NTD strengthens by 1% against USD, and the positive amount when NTD depreciates by 1% against USD.

	Impact of USD	
	2020	2019
Profit or loss	\$ 2,841	\$ 8,768 (i)

(i) Mainly derived from the Company's receivables and payables that were outstanding at the balance sheet date and not hedged for cash flow.

(2) Interest rate risk

The Company's bank deposits and borrowed funds carry both fixed and floating interest rates, resulting in interest rate risk.

The carrying amounts of financial assets and financial liabilities exposed to interest rate risk as of the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
- Financial assets	\$ 212,048	\$ 32,047
- Financial liabilities	156,960	-
Cash flow interest rate risk		
- Financial liabilities	1,118,718	859,062

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk of derivative and non-derivative instruments as of the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the balance sheet date is outstanding during the reporting period. The rate of change used in reporting interest rates internally to key management is a 0.25% basis point increase or decrease in interest rates, which also represents management's assessment of the range of reasonably possible changes in interest rates.

If interest rates had increased/decreased by 0.25% basis points, with all other variables held constant, the Company's net profits before tax would have decreased/increased by \$2,797 thousand and \$2,148 thousand for 2020 and 2019, respectively.

(3) Other price risk

The Company has equity price risk due to its investment in equity securities.

Sensitivity analysis

The following sensitivity analysis is based on the equity price exposure at the balance sheet date.

If the equity price had increased/decreased by 10%, profits or losses before tax for 2020 and 2019 would have increased/decreased by \$2,000 thousand and \$7,115 thousand, respectively, due to the increase/decrease in fair value of financial assets measured at fair value through profit or loss.

There was no significant change in the sensitivity of the Company's investment in equity securities compared with the previous year.

2. Credit risk

Credit risk refers to the risk of financial loss due to default on contract obligations by the counterparties. As of the balance sheet date, the Company's maximum exposure to credit risk of financial loss due to non-performance by counterparties and the provision of financial guarantees by the Company was mainly due to:

- (1) The carrying amount of financial assets recognized in the stand-alone balance sheets.
- (2) The maximum amount that the Company may be required to pay for the provision of financial guarantees, regardless of the likelihood of occurrence.

The Company's primary potential credit risk arises from financial instruments such as cash and cash equivalents and accounts receivable. The Company's cash is deposited with various banks and financial institutions. The cash is held in time deposits with maturities of approximately 3 months, which have high liquidity and flexibility and enjoy high interest rates with near-zero risk. The Company controls its

exposure to the credit risk of each financial institution and believes that the Company's cash and cash equivalents are not subject to significant concentrations of credit risk.

The counterparties of the Company's accounts receivable are customers in the electronics industry. In order to reduce the credit risk of accounts receivable, the Company's management has assigned a dedicated team to establish credit management rules and regulations and to be responsible for credit limit determination, credit approval and other monitoring procedures for the credit management of accounts receivable.

In addition, the Company reviews the recoverable amounts of accounts receivable on a case-by-case basis every month to ensure that appropriate impairment losses have been recorded for uncollectible accounts receivable. Accordingly, the Company's management believes that the Company's credit risk is limited.

The Company's credit risk is mainly concentrated in the Company's top ten customers. As of December 31, 2020 and 2019, the percentage of total accounts receivable from the aforementioned customers was 73.38% and 73.74%, respectively.

3. Liquidity risk

The Company manages and maintains sufficient balance of cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Company's management monitors the use of bank financing facilities and ensures compliance with the terms and conditions of the borrowing agreements.

Bank borrowings are an important source of liquidity for the Company. See (2) below for a description of the Company's unused financing facilities.

(1) Liquidity and interest rate risk of non-derivative financial liabilities.

The analysis of the remaining contract maturities of non-derivative financial liabilities is prepared using the undiscounted cash flows of financial liabilities (including principal and estimated interest) based on the earliest possible date on which the Company could be required to make repayment.

Therefore, bank borrowings that the Company may be required to repay immediately are shown in the the earliest period below, without regard to the probability that the bank will enforce the right immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the contract repayment dates.

December 31, 2020

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
<u>Non-derivative</u> <u>financial</u> <u>liabilities</u>					
Accounts payable	\$ 1,611,016	\$ -	\$ -	\$ -	\$ 1,611,016
Other payables	392,375	-	-	-	392,375
Borrowings	1,149,733	126,527	-	-	1,276,260
Lease liabilities	1,332	1,332	666	-	3,330
	<u>\$ 3,154,456</u>	<u>\$ 127,859</u>	<u>\$ 666</u>	<u>\$ -</u>	<u>\$ 3,282,981</u>

December 31, 2019

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
<u>Non-derivative</u> <u>financial</u> <u>liabilities</u>					
Accounts payable	\$ 1,191,328	\$ -	\$ -	\$ -	\$ 1,191,328
Other payables	501,813	-	-	-	501,813
Borrowings	565,592	-	293,996	-	859,588
	<u>\$ 2,258,733</u>	<u>\$ -</u>	<u>\$ 293,996</u>	<u>\$ -</u>	<u>\$ 2,552,729</u>

(2) Financing facilities

	December 31, 2020	December 31, 2019
Unsecured bank borrowing facility (extendable by mutual consent)		
Financing facilities used	\$ 981,960	\$ 400,000
Financing facilities unused	<u>1,048,600</u>	<u>1,579,780</u>
	<u>\$ 2,030,560</u>	<u>\$ 1,979,780</u>
Secured bank borrowing facility (extendable by mutual consent)		
Financing facilities used	\$ 500,000	\$ 500,000
Financing facilities unused	<u>-</u>	<u>-</u>
	<u>\$ 500,000</u>	<u>\$ 500,000</u>

xxvii. Related party transactions

In addition to those disclosed in other notes, the transactions between the Company and its related parties are as follows:

(i) Names of related parties and relationships

<u>Name of related party</u>	<u>Relationship with the Company</u>
ICHIA HOLDINGS (B.V.I) Co., Ltd. (hereafter referred to as BVI-ICHIA)	Subsidiary
ICHIA USA INC. (hereafter referred to as ICHIA USA).	Subsidiary
ICHIA RUBBER INDUSTRY (M) Sdn. Bhd. (hereinafter referred to as ICHIA Malaysia)	Subsidiary
ICHIA INTERNATIONAL TRADING LTD. (BVI) (hereafter referred to as ICHIA INTERNATIONAL)	Subsidiary
ZHONGSHAN ICHIA ELECTRONICS CO., LTD. (hereafter referred to as ZHONGSHAN ICHIA)	Subsidiary
ICHIA TECHNOLOGY (SUZHOU) CO., LTD. (hereafter referred to as ICHIA SUZHOU)	Subsidiary

(ii) Operating revenues

<u>Account in the book</u>	<u>Type of related party</u>	<u>2020</u>	<u>2019</u>
Sales revenues	Subsidiary	<u>\$ 1,912</u>	<u>\$ 966</u>

Sales to related parties are determined based on the Company's transfer pricing.

(iii) Purchases

<u>Name of related party</u>	<u>2020</u>	<u>2019</u>
ICHIA SUZHOU	\$ 2,830,735	\$ 3,398,853
ZHONGSHAN ICHIA	<u>357,188</u>	<u>391,681</u>
	<u>\$ 3,187,923</u>	<u>\$ 3,790,534</u>

Purchases from related parties are determined based on the Company's transfer pricing.

(iv) Receivables from related parties (excluding loans to related parties and contract assets)

<u>Account in the book</u>	<u>Name of related party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable - related party	ICHIA USA Inc.	\$ 1,707	\$ 200
	ICHIA Malaysia	<u>-</u>	<u>192</u>
		<u>\$ 1,707</u>	<u>\$ 392</u>

Other receivables - ICHIA SUZHOU related party		\$ 41,693	\$ 27,972
	ICHIA INTERNATIONAL	<u>-</u>	<u>8,658</u>
		<u>\$ 41,693</u>	<u>\$ 36,630</u>

The outstanding receivables from related parties are not guaranteed. No allowance for loss has been provided for the receivables from related parties in 2020 and 2019.

(v) Payables to related parties (excluding borrowings from related parties)

Account in the book	Name of related party	December 31, 2020	December 31, 2019
Accounts payable - related party	ICHIA SUZHOU	\$ 1,336,428	\$ 1,046,473
	ZHONGSHAN	182,497	75,578
	ICHIA		
	ICHIA Malaysia	<u>8</u>	<u>-</u>
		<u>\$ 1,518,933</u>	<u>\$ 1,122,051</u>

The outstanding payables to related parties are not guaranteed.

(vi) Non-operating incomes

Account in the book	Type of related party	2020	2019
Other incomes	ICHIA SUZHOU	<u>\$ 2,122</u>	<u>\$ -</u>

(vii) Borrowings from related parties

Name of related party	December 31, 2020	December 31, 2019
<u>Other payables</u>		
BVI-ICHIA	<u>\$ 378,784</u>	<u>\$ 490,834</u>
<u>Interest expenses</u>		
BVI-ICHIA	<u>\$ -</u>	<u>\$ 7,088</u>

The loans to BVI-ICHIA in 2020 and 2019 were all unsecured loans.

(viii) Other related party transactions

The management charge of \$8,830 thousand was recognized and received by the Company as part of the management services provided to ICHIA INTERNATIONAL and was appropriately allocated to the relevant departments that incurred costs. ICHIA INTERNATIONAL completed its

liquidation and closed its operations on September 28, 2020, therefore, no management charge was made to it in 2020.

(ix) Key management remuneration

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 20,521	\$ 21,105
Post-employment benefits	<u>358</u>	<u>495</u>
	<u>\$ 20,879</u>	<u>\$ 21,600</u>

The remuneration of directors and other key management is determined by the Remuneration Committee based on individual performance and market trends.

xxviii. Pledged assets

The following assets have been pledged as collaterals for borrowings and tariff guarantees for imported raw materials:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Pledged time deposits (recorded as financial assets at amortized cost - noncurrent)	\$ 2,127	\$ 2,067
Self-owned land	227,663	227,663
Buildings - net	<u>79,568</u>	<u>82,561</u>
	<u>\$ 309,358</u>	<u>\$ 312,291</u>

xxix. Significant contingent liabilities and unrecognized contract commitments

- (i) The total contract amount of the equipment contracted by the Company with vendors was NTD 57,858 thousand. As of December 31, 2020, the Company had paid NTD 29,670 thousand (recorded as prepayment for equipment) and the remaining NTD 28,188 thousand had not been paid.
- (ii) As of December 31, 2020, the Company had guaranteed for cooperative education and provided a reserve for the issuance of refundable deposit notes (including long-term borrowings and short-term borrowings) of approximately NTD 960,360 thousand and USD 8,500 thousand, respectively.
- (iii) As of December 31, 2020, the Company had received NTD 8,090 thousand in guarantee deposit notes for the purchase of equipment and construction.

xxx. Other matters

The Company was affected by the global pandemic of coronavirus pneumonia and delayed the resumption of work at some of its plants, resulting in a significant decrease in operating revenues from February to June of 2020. With the slowdown of the epidemic and the relaxation of policies, the Company expects that its operations will gradually return to normal.

In response to the impact of the outbreak, the Company took the following actions:

(i) Adjustment of business strategy

The Company's business strategy has not been adjusted due to the impact of the epidemic, but the Company will remain cautious about the future development of the epidemic and the impact on end-use demand.

(ii) Financing strategy

In view of the possible impact of the uncertainty of the COVID-19 pandemic in the future, the Company will increase its medium-term and long-term financing positions and raise medium-term and long-term operating funds to establish a stable source of medium-term and long-term operating funds for the Company.

(iii) Government relief measures

The Company has applied for government subsidies for salaries, working capital, interest and rent, and has received \$5,017 thousand of approved funds.

xxxi. Information on foreign currency assets and liabilities with significant impact

The following information is expressed in aggregate in foreign currencies other than the Company's functional currency, and the exchange rates disclosed represent the rates at which such foreign currencies were converted to the functional currency. Foreign currency assets and liabilities with significant impact are as follows:

December 31, 2020

	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 79,407	28.48 (USD : NTD)	<u>\$ 2,261,397</u>
<u>Non-monetary items</u>			
Subsidiaries under the equity method USD	112,799	28.48 (USD : NTD)	<u>\$ 5,104,379</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	70,291	28.48 (USD : NTD)	<u>\$ 2,002,007</u>

December 31, 2019

	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 63,399	29.98 (USD : NTD)	<u>\$ 1,900,692</u>
<u>Non-monetary items</u>			
Subsidiaries under the equity method USD	112,799	29.98 (USD : NTD)	<u>\$ 5,144,394</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	53,856	29.98 (USD : NTD)	<u>\$ 1,614,487</u>

Foreign currency translation gains and losses (realized and unrealized) with significant impact as follows:

Foreign currency	2020		2019	
	Exchange rate	Net exchange gains or losses	Exchange rate	Net exchange gains or losses
USD	28.48 (USD : NTD)	(\$ <u>36,561</u>)	29.98 (USD : NTD)	(\$ <u>2,306</u>)

xxxii. Additional disclosure

(i) Significant transactions and (ii) information on the investee enterprises:

No.	Item	Description
1	Lending funds to others	Exhibit 1
2	Endorsements and guarantees for others.	Exhibit 2
3	Marketable securities held at the end of the period. (Excluding investment in subsidiaries, affiliated enterprises and joint venture interests)	Exhibit 3
4	The cumulative amount of purchases or sales of the same marketable securities reaches at least NTD 300 million or 20% of the paid-in capital.	None
5	Acquisition of real estate amounting to at least NTD 300 million or 20% of the paid-in capital.	None
6	Disposal of real estate amounting to at least NTD 300 million or 20% of the paid-in capital.	None
7	The amount of purchase or sale with related parties is at least NTD 100 million or 20% of the paid-in capital.	Exhibit 4
8	Receivables from related parties amounting to at least NTD 100 million or 20% of the paid-in capital.	Exhibit 5
9	Engagement in derivative transactions.	Note 7
10	Information on investees	Exhibit 6

(iii) Information on investment in Mainland China:

No.	Item	Description
1	The name of the investees in Mainland China, principal business, paid-in capital, investment methods, capital outward and inward remittances, shareholding, investment gains and losses, investment carrying amount at the end of the period, repatriated investment gains and losses, and investment quota for Mainland China.	Exhibit 7
2	The following significant transactions with investees in Mainland China, directly or indirectly through third regions, and their prices, payment terms, and unrealized gains or losses: (1) Amounts and percentages of purchases and	Exhibit 4

	related payables at the end of the period.	
	(2) Amounts and percentages of sales and related receivables at the end of the period.	None
	(3) The amount of property transactions and the amount of gain or loss resulting from such transactions.	None
	(4) The ending balance of endorsement and guarantee of notes or provision of collateral and its purpose.	None
	(5) The maximum balance, ending balance, interest rate range and total current interest amount of financial accommodation.	None
	(6) Other transactions that have a significant effect on the current profit or loss or financial position, such as the provision or receipt of services.	None

(iv) Information on major shareholders:

Name, number and percentage of shares held by shareholders with 5% or more of the shares: Exhibit 8.

ICHIA TECHNOLOGIES INC.

Lending funds to others

January 1 to December 31, 2020

Exhibit 1

Unit: NTD and foreign currency in thousands, unless otherwise indicated

No. (Note 1)	The lender company of funds	The borrower of funds	Transaction	Related party or not	Maximum balance for the period	Balance at the end of the period	Actual amounts drawn	Interest rate range	Nature of funds lending (Note 2)	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of allowance for bad debts	Collateral		The limit for individual funds lending (Note 3)	The limit for total funds lending (Note 3)	Remarks
													Name	Value			
1	BVI-ICHIA	ICHIA Technologies Hungary Limited Liability Company	Other receivables - related party	Yes	\$ 117,397 (USD 3,850)	\$ 55,251 (USD 1,940)	\$ 54,397 (USD 1,910)	-	2	-	Operating turnover	\$ -	None	\$ -	\$ 10,152,848 (Note 4)	\$ 10,152,848 (Note 4)	
		ICHIA TECHNOLOGIES INC.	Other receivables - related party	Yes	941,895 (USD 30,800)	378,784 (USD 13,300)	378,784 (USD 13,300)	-	2	-	Operating turnover	-	None	-	10,152,848 (Note 4)	10,152,848 (Note 4)	

Note 1: The number column is filled out as follows:

- (1) Fill in 0 for the issuer.
- (2) Investees are numbered sequentially from Arabic numeral 1 according to the company type.

Note 2: The nature of the funds lending is described as follows:

- (1) Fill in 1 for those who have business transactions.
- (2) Fill in 2 for those in need of short-term financing.

Note 3: Calculation and amount of funds lending limits.

- i. The limit for individual funds lending
 - (1) The amount of funds lending of the Company to individual counterparties is limited to 30% of the Company's current net worth (December 31, 2020), in accordance with the Company's Operating Procedures for Lending Funds to Others.
 - (2) The amount of funds lending of an investee to individual counterparties is limited to 200% of the investee's current net worth (December 31, 2020), in accordance with the investee's Operating Procedures for Lending Funds to Others.
 - (3) The amount of funds lending of BVI-ICHIA to the Group's parent company is limited to 200% of BVI-ICHIA's current net worth (December 31, 2020) in accordance with BVI-ICHIA's Operating Procedures for Lending Funds to Others.
- ii. The limit for total funds lending:
 - (1) The cumulative amount of funds lending of the Company to external counterparties is limited to 40% of the Company's current net worth (December 31, 2020), in accordance with the Company's Operating Procedures for Lending Funds to Others.
 - (2) The cumulative amount of funds lending of an investee is limited to 200% of the investee's current net worth (December 31, 2020), in accordance with the investee's Operating Procedures for Lending Funds to Others.
 - (3) The cumulative amount of funds lending of BVI-ICHIA to the Group's parent company is limited to 200% of BVI-ICHIA's current net worth (December 31, 2020) in accordance with BVI-ICHIA's Operating Procedures for Lending Funds to Others.
- iii. The Company's funds lending limit was calculated based on the net worth of the Company's financial statements reviewed by CPA; the investee's funds lending limit was calculated based on the net worth of the investee's financial statements in foreign currencies reviewed by CPA.
- iv. The funds lending limits here are presented in NTD. If foreign currencies are involved, they are translated into NTD at the prevailing exchange rate on the date of the financial statements. (The spot exchange rate for USD as of December 31, 2020 was 28.48.)

Note 4: The funds lending between companies outside of the Republic of China in which the Company directly or indirectly holds 100% of the voting rights is not subject to the funds lending limits in Note 3.

ICHIA TECHNOLOGIES INC.
Endorsements and guarantees for others
January 1 to December 31, 2020

Exhibit 2

Unit: NTD and foreign currency in thousands, unless otherwise indicated

No. (Note 1)	Endorser and guarantor company name	Counterparty endorsed and guaranteed		Endorsement and guarantee limit for a single enterprise (Note 3)	Maximum endorsement and guarantee balance for the period	Endorsement and guarantee balance at the end of the period	Actual amounts drawn	Amount of endorsement and guarantee by property	Percentage of cumulative endorsement and guarantee to net worth of the most recent financial statements (%)	Maximum endorsement and guarantee limit (Note 3)	Parent company endorsement and guarantee for subsidiary	Subsidiary endorsement and guarantee for parent company	Endorsement and guarantee for Mainland China	Remarks
		Company name	Relationship (Note 2)											
0	ICHIA TECHNOLOGIES INC.	ICHIA HOLDINGS (B.V.) Co., Ltd.	(2)	\$ 5,133,136	\$ 538,355 (USD 11,000) (NTD 200,000)	\$ -	\$ -	\$ -	-	\$ 5,703,484	Y	N	N	

Note 1: The number column is filled out as follows:

- (1) Fill in 0 for the issuer.
- (2) Investees are numbered sequentially from Arabic numeral 1 according to the company type.

Note 2: There are seven types of relationships with the counterparty of endorsement and guarantee, indicating the type suffices:

- (1) Companies with business relationship.
- (2) Subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares.
- (3) Companies that directly or indirectly hold more than 50% of the voting rights in the Company.
- (4) Between companies in which the Company directly or indirectly holds more than 90% of the voting shares.
- (5) Intra-industry or co-founded companies with mutual insurance in accordance with contractual provisions based on the need for contracted work.
- (6) Companies that are endorsed and guaranteed by all contributing shareholders in proportion to their shareholdings as a result of joint investment.
- (7) Intra-industry companies engaged in joint guarantees for the performance of the pre-sale house sales contract in accordance with the regulations of the Consumer Protection Act.

Note 3: Calculation of endorsement and guarantee limit and amount.

- i. Endorsement and guarantee limit for a single enterprise:
 - (1) The amount of endorsement and guarantee of the Company to a single enterprise is limited to 80% of the Company's current net worth (December 31, 2020), in accordance with the Company's Operating Procedures for Endorsement and Guarantee.
 - (2) The amount of endorsement and guarantee of the Company to individual overseas affiliate is limited to 90% of the Company's current net worth (December 31, 2020), in accordance with the Company's Operating Procedures for Endorsement and Guarantee.
- ii. Maximum Endorsement and Guarantee limit:
 - (1) The cumulative amount of endorsement and guarantee of the Company to external counterparties is limited to 100% of the Company's current net worth (December 31, 2020), in accordance with the Company's Operating Procedures for Endorsement and Guarantee.

ICHIA TECHNOLOGIES INC.

Marketable securities held at the end of the period

December 31, 2020

Exhibit 3

Unit: NTD and foreign currency in thousands, unless otherwise indicated

Subsidiaries held	Type and name of marketable securities (Note 1)	Relationship with the issuer of marketable securities	Account in the book	Period end				Remarks
				Number of shares (thousand shares)	Carrying amount	Shareholdi ng (%)	Fair value	
ICHIA TECHNOLOGIES INC.	Fund beneficiary certificates Franklin Templeton SinoAm Money Market Fund	None	Financial assets at fair value through profit or loss - Current	1,918	<u>\$ 20,001</u>	-	<u>\$ 20,001</u>	

Note 1: Marketable securities referred to here are stocks, bonds, beneficiary certificates and marketable securities derived from the above items that fall within the scope of IFRS 9 "Financial Instruments".

Note 2: For information on investments in subsidiaries, affiliates and joint venture interests, please refer to Exhibit 6 and Exhibit 7.

ICHIA TECHNOLOGIES INC.

The amount of purchase or sale with related parties is at least NTD 100 million or 20% of the paid-in capital.

January 1 to December 31, 2020

Exhibit 4

Unit: NTD thousand, unless otherwise indicated

Purchase (sale) company	Trading partner name	Relationship	Transactions				The circumstances and reasons why the trading terms are different from those of ordinary transactions		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Purchase (sale) company	Credit period	Unit price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
ICHIA TECHNOLOGIES INC.	ICHIA SUZHOU	The same affiliate	Purchase	\$ 2,830,735	84	30 days from monthly cut-off day	-	-	(\$ 1,336,428)	(88)	
	ZHONGSHAN ICHIA	"	"	357,188	10	"	-	-	(182,497)	(12)	

ICHIA TECHNOLOGIES INC.

Receivables from related parties amounting to at least NTD 100 million or 20% of the paid-in capital.

December 31, 2020

Exhibit 5

Unit: NTD thousand, unless otherwise indicated

Companies with accounts receivable	Trading partner name	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties collected during the subsequent period	Amount of allowance for bad debts
					Amount	Processing method		
ICHIA SUZHOU	ICHIA TECHNOLOGIES INC.	The same affiliate	Accounts receivable \$ 1,336,428	2.38	\$ -	—	\$ 534,134	\$ -
ZHONGSHAN ICHIA	ICHIA TECHNOLOGIES INC.	The same affiliate	Accounts receivable 182,497	2.77	-	—	77,255	-
BVI-ICHIA	ICHIA TECHNOLOGIES INC.	The same affiliate	Other receivables 378,784	Note	-	—	-	-

Note: The turnover rate is not calculated because it is mainly due to other receivables arising from the lending of funds.

ICHIA TECHNOLOGIES INC.

Information on investees, locations,, etc.

January 1 to December 31, 2020

Exhibit 6

Unit: NTD and foreign currency in thousands, unless otherwise indicated

Investor	Investee	Location	Principle business	Original investment amount		Holding at the end of period			Profit or loss of investees for the period	Investment gain (loss) recognized in the period	Remarks
				The end of the period	The end of last year	Number of shares (thousand shares)	Percentage %	Carrying amount			
ICHIA TECHNOLOGIES INC.	ICHIA HOLDINGS (B.V.I) Co., Ltd.	P.O. BOX957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands	Various investment businesses	\$ 3,532,566 (USD 108,693)	\$ 3,532,566 (USD 108,693)	108,693	100	\$ 5,067,096	\$ 58,730	\$ 64,648	Subsidiary
	ICHIA USA Inc.	1057 Tierra Del Rey, Suite G, Chula Vista, CA 91910 U.S.A.	International trading of various electronic components and materials	118,309 (USD 4,106)	118,309 (USD 4,106)	4,106	100	37,283	2,428	2,428	Subsidiary
ICHIA HOLDINGS (B.V.I) Co., Ltd.	ICHIA RUBBER INDUSTRY (M) Sdn. Bhd.	997-A, Solok Pervshaan Tiga Prai Industrial Estate 13600 Prai, P.W. West Halasia Malaysia	Manufacturing, processing and trading of various electronic components and materials for various electronic and telecommunication computers.	86,152 (USD 3,025)	86,152 (USD 3,025)	9,000	100	95,636 (USD 3,358)	7,376 (USD 259)	7,376 (USD 259)	Subsidiary
	ICHIA UK. LTD.	P.O. Box 3152, Town, Tortola, British Virgin Islands	Various investment businesses	140,292 (USD 4,926)	140,292 (USD 4,926)	4,926	100	(30,901) (USD -1,085)	(1,424) (USD -50)	(1,424) (USD -50)	Subsidiary
	ICHIA HOLDINGS (H.K.) Co., Ltd.	Room 1004, National Health Centre, 151 Gloucester Road, Wanchai, Hong Kong	Various investment businesses	2,136,000 (USD 75,000)	2,136,000 (USD 75,000)	75,000	100	3,799,175 (USD 133,398)	45,967 (USD 1,614)	45,967 (USD 1,614)	Subsidiary
	ICHIA INTERNATIONAL	P.O. BOX 3152, ROAD TOWN. Tortola \british Virgin Islands	International trading of various electronic components and materials	-	307,584 (USD 10,800)	-	-	-	3,218 (USD 113)	3,218 (USD 113)	Note 2
	ICHIA UK. LTD.	ICHIA Technologies Hungary Limited Liability Company	2900 Komarom Ipari Park Banki Domat U. 2. Hungary	Manufacturing, processing and trading of rubber and plastic keypads	140,292 (USD 4,926)	140,292 (USD 4,926)	-	100	(30,901) (USD -1,085)	(1,424) (USD -50)	(1,424) (USD -50)

Note 1: Please refer to Exhibit 7 for information on the investees in Mainland China.

Note 2: ICHIA INTERNATIONAL was liquidated by a resolution of the Board of Directors on August 10, 2020, and all liquidation procedures were completed on September 28, 2020, ending its operations.

ICHIA TECHNOLOGIES INC.

Information on investment in Mainland China

January 1 to December 31, 2020

Exhibit 7

Unit: NTD and foreign currency in thousands, unless otherwise indicated

1. The name of the investees in Mainland China, principal business, paid-in capital, investment methods, capital outward and inward remittances, shareholding, investment gains and losses, investment carrying amount, repatriated investment gains and losses:

Investee in Mainland China	Principle business	Paid-in capital	Type of investment (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss of investees for the period	Shareholding percentage of the Company's direct or indirect investment	Investment gain (loss) recognized in the period (Note 2)	Carrying amount of investments at the end of the period	Investment income remitted back as of the end of the period
					Remittance	Recovery						
ICHIA SUZHOU	Rubber, plastic keypads and flexible printed circuit boards	\$ 2,477,760 (USD 87,000)	(ii) B	\$ 2,477,760 (USD 87,000)	\$ -	\$ -	\$ 2,477,760 (USD 87,000)	\$ 55,992 (USD 1,966)	100	\$ 46,052 (USD 1,617) (ii) B	\$ 3,796,811 (USD 133,315)	\$ -
ZHONGSHAN ICHIA	Rubber and plastic keypads	484,160 (USD 17,000)	(ii) A	484,160 (USD 17,000)	-	-	484,160 (USD 17,000)	2,706 (USD 95)	100	3,389 (USD 119) (ii) B	743,641 (USD 26,111)	-

2. Investment quota for Mainland China.

Accumulated amount of investment from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, Ministry of Economic Affairs	Investment quota for mainland China as stipulated by the Investment Commission, Ministry of Economic Affairs
NTD 2,961,920 (USD 104,000)	NTD 2,961,920 (USD 104,000)	NTD 3,422,090 (USD 120,158)

Note 1: The investment methods can be divided into the following three types, indicating as such suffices:

- (i) Investment in Mainland China directly.
- (ii) Investment in Mainland China through companies in third regions (please specify the investment company of the third region).
 - A. BVI-ICHIA
 - B. ICHIA HOLDINGS (H.K.) Co., Ltd.
- (iii) Other types.

Note 2: In the column of investment gain or loss recognized in the current period:

- (i) If the investment is under preparation and there is no investment gain or loss, it should be noted.
- (ii) The basis for recognizing investment gains or losses is divided into the following three categories, which should be specified.
 - A. The financial statements have been audited by an international CPA firm with which CPA firms in the Republic of China have a cooperative relationship.
 - B. The financial statements have been audited by the attesting CPA of the parent company in Taiwan.
 - C. Others.

Note 3: The figures in this Exhibit are presented in NTD. Where foreign currencies are involved, the exchange rate at the date of financial reporting is used to translate into NTD. (The spot exchange rate for USD as of December 31, 2020 was 28.48)

ICHIA TECHNOLOGIES INC.
 Information on major shareholders
 December 31, 2020

Exhibit 8

Name of Major Shareholder	Shares	
	Shareholding	Shareholding Percentage
Ferrari Investment Co., Ltd.	15,472,481	5.03%
Creative Investment Co., Ltd.	15,468,480	5.02%

Note 1: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's consolidated financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.