

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunonwealth Electric Machine Industry Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Sunonwealth Electric Machine Industry Co., Ltd. (the "Company") as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountants, as described in the other matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion base on the results that we audit and the audit report of other accountants.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2020 are stated as follows:

Valuation of inventory

Please refer to Note 4(7) to the parent company only financial statements for the accounting policy of inventories, Note 5(2)G for critical accounting judgments, estimates and key sources of assumption uncertainty of inventories, and Note 6(4) for inventory valuation.

Description of key audit matter:

As of December 31, 2020, inventory was \$608,008 thousand and accounted for 7.5% of the total assets. Due to rapid changes in technology may lead to write-downs of slow-moving inventories to their net realizable values. As uncertainty exists in management's judgment when the determining the loss on inventory, the valuation of inventory has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included the understanding of the feature of the product and the inventory aging to confirm the appropriateness of the inventory evaluation method ; testing the book value of the inventory to assess the rationality of the change in the impairment loss of the inventory, obtaining the inventory status of the Company and compare the actual write-offs of the past to assess the appropriateness of the valuation for obsolescent and damaged inventories.



Revenue recognition

Please refer to Note 4(19) to the parent company only financial statements for the accounting policy of revenue recognition, Note 5(1)B and Note 5(2)A for critical accounting judgements, estimates and key sources of assumption uncertainty of revenue recognition, and Note 6 (21) for the description of revenue recognition.

Description of key audit matter:

The Company's sales revenue is easily influenced by various factors such as the industry boom and market environment, and has a significant impact on the utilization rate of the Company (the levy of idle capacity loss), inventory risk and cash flow. Consequently, this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Company's controls surrounding revenue recognition; inspecting customer orders and performing a test of revenue transactions which incurred within a certain period before or after the balance sheet date; analysis of the trend of product sales and comparing the number of relevant changes or differences with the budget to confirm whether there is a significant exception.

Other Matters

We did not audit the financial statements of associates accounted for using the equity method that are included in the parent company only financial statements. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements is based solely on the audit reports of other independent accountants. The balances of these associates accounted for under the equity method amounted to \$161,041 thousand and \$144,099 thousand, representing 1.99% and 1.89% of total assets as of December 31, 2020 and 2019, respectively, and share of profits from associates and joint ventures amounted to \$19,019 thousand and \$25,601 thousand, representing 1.84% and 3.11% of the income before income tax for the years ended December 31, 2020 and 2019, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in Our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion .

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching Ling Lee and Shu Man Tsai.

Crowe (TW) CPAs

Crowe (TW) CPAs

Kaohsiung, Taiwan (Republic of China)

March 11, 2021

Notice to Readers

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

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$491,384	6.1	\$465,806	6.1
Notes receivable, net	6(2)	16,320	0.2	12,713	0.2
Accounts receivable, net	6(3)	1,796,090	22.2	1,863,678	24.5
Accounts receivable - related parties, net	6(3), 7	530,555	6.5	361,188	4.7
Other receivables		18,752	0.2	13,959	0.2
Other receivables - related parties	7	19,386	0.2	18,228	0.2
Inventories	6(4)	608,008	7.5	773,926	10.1
Prepayments		11,461	0.1	11,260	0.1
Other current financial assets - current	6(5)	12,313	0.2	-	-
Total current assets		3,504,269	43.2	3,520,758	46.1
NONCURRENT ASSETS					
Investments accounted for using equity method	6(6)	3,400,199	42.1	2,848,292	37.4
Property, plant and equipment	6(7)	1,039,525	12.8	1,063,832	13.9
Right-of-use assets	6(8)	41,844	0.5	29,335	0.4
Investment properties, net	6(9)	80,889	1.0	81,306	1.1
Intangible assets	6(10)	17,792	0.2	9,853	0.1
Deferred income tax assets	6(27)	16,430	0.2	20,280	0.3
Refundable deposits		2,448	-	2,682	-
Prepayments for investments	6(11)	-	-	53,701	0.7
Total noncurrent assets		4,599,127	56.8	4,109,281	53.9
TOTAL ASSESTS		\$8,103,396	100.0	\$7,630,039	100.0

Liabilities and Equity					
CURRENT LIABILITIES					
Short-term loans	6(12)	\$350,000	4.3	\$685,000	9.0
Contract liabilities - current	6(21)	37,776	0.5	19,240	0.2
Accounts payable		773,102	9.5	903,644	11.8
Accounts payable - related parties	7	1,209,963	14.9	1,125,993	14.8
Other payables	6(13)	312,007	3.9	245,196	3.2
Other payables - related parties	6(13), 7	14,907	0.2	11,921	0.2
Current tax liabilities		84,991	1.0	21,895	0.3
Provisions - current	6(14)	13,759	0.2	13,276	0.2
Lease liabilities - current	6(8)	12,299	0.2	12,190	0.2
Advance receipts		326	-	460	-
Total current liabilities		2,809,130	34.7	3,038,815	39.9

Liabilities and Equity	Note	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
NONCURRENT LIABILITIES					
Long-term loans	6(15)	\$520,000	6.4	\$220,000	2.9
Deferred income tax liabilities	6(27)	90,397	1.1	64,825	0.8
Lease liabilities - noncurrent	6(8)	29,900	0.4	15,136	0.2
Net defined benefit liabilities - noncurrent	6(16)	59,391	0.7	61,729	0.8
Guarantee deposits		449	-	756	-
Total noncurrent liabilities		700,137	8.6	362,446	4.7
Total Liabilities		3,509,267	43.3	3,401,261	44.6
Share capital	6(17)				
Ordinary shares		2,509,297	31.0	2,509,297	32.9
Capital surplus	6(18)	366,903	4.5	366,903	4.8
Retained earnings	6(19)				
Legal reserve		758,081	9.4	689,398	9.0
Special reserve		260,275	3.2	164,709	2.2
Unappropriated earnings		941,668	11.6	758,746	9.9
Other equity	6(20)	(242,095)	(3.0)	(260,275)	(3.4)
Total Equity		4,594,129	56.7	4,228,778	55.4
TOTAL LIABILITIES AND EQUITY		\$8,103,396	100.0	\$7,630,039	100.0

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Note	Year Ended December 31			
		2020		2019	
		Amount	%	Amount	%
OPERATING REVENUES	6(21)	\$8,611,750	100.0	\$7,831,346	100.0
OPERATING COSTS	6(4)	(7,276,702)	(84.5)	(6,607,080)	(84.4)
GROSS PROFIT		1,335,048	15.5	1,224,266	15.6
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		(38,932)	(0.5)	(33,951)	(0.4)
REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIS AND ASSOCIATES		33,951	0.4	32,687	0.4
OPERATING EXPENSES					
Sales and marketing		(268,557)	(3.1)	(252,946)	(3.2)
General and administrative		(279,417)	(3.2)	(273,061)	(3.5)
Research and development		(482,361)	(5.7)	(455,280)	(5.8)
Expected credit gain (loss)	6(3)	(462)	-	(364)	-
Total operating expenses		(1,030,797)	(12.0)	(981,651)	(12.5)
INCOME FROM OPERATIONS		299,270	3.4	241,351	3.1
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(23)	3,887	-	7,540	0.1
Other income	6(24)	120,487	1.4	108,395	1.4
Other gains and losses	6(25)	131,779	1.5	42,317	0.5
Finance costs	6(26)	(7,617)	(0.1)	(7,775)	(0.1)
Share of profits of subsidiaries, associates and joint ventures		488,109	5.8	430,696	5.5
Total non-operating income and expenses		736,645	8.6	581,173	7.4
INCOME BEFORE INCOME TAX		1,035,915	12.0	822,524	10.5
INCOME TAX EXPENSE	6(27)	(184,265)	(2.1)	(141,723)	(1.8)
NET INCOME		851,650	9.9	680,801	8.7
OTHER COMPREHENSIVE INCOME (LOSS)	6(28)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(3,274)	-	7,540	0.1
Income tax benefit related to items that will not be reclassified subsequently		655	-	(1,508)	-
Total items that will not be reclassified subsequently to profit or loss		(2,619)	-	6,032	0.1
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of subsidiaries, associates and joint ventures		22,725	0.3	(119,458)	(1.5)
Income tax benefit related to items that may be reclassified subsequently to profit or loss		(4,545)	(0.1)	23,892	0.3
Total items that may be reclassified subsequently to profit or loss		18,180	0.2	(95,566)	(1.2)
Total other comprehensive loss, net of income tax		15,561	0.2	(89,534)	(1.1)
TOTAL COMPREHENSIVE INCOME		867,211	10.1	\$591,267	7.6
EARNINGS PER SHARE					
Basic earnings per share	6(29)	\$3.39		\$2.71	
Diluted earnings per share	6(29)	\$3.39		\$2.71	

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2019	\$ 2,509,297	\$ 366,903	\$ 628,886	\$ 127,111	\$ 671,883	\$ (164,709)	\$ 4,139,371
Appropriations and distributions of prior years' earnings:							
Legal reserve	-	-	60,512	-	(60,512)	-	-
Special reserve	-	-	-	37,598	(37,598)	-	-
Cash dividends - \$2 per share	-	-	-	-	(501,860)	-	(501,860)
Net income in 2019	-	-	-	-	680,801	-	680,801
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	6,032	(95,566)	(89,534)
Total comprehensive income in 2019	-	-	-	-	686,833	(95,566)	591,267
BALANCE AT DECEMBER 31, 2019	2,509,297	366,903	689,398	164,709	758,746	(260,275)	4,228,778
Appropriations and distributions of prior years' earnings:							
Legal reserve	-	-	68,683	-	(68,683)	-	-
Special reserve	-	-	-	95,566	(95,566)	-	-
Cash dividends - \$2 per share	-	-	-	-	(501,860)	-	(501,860)
Net income in 2020	-	-	-	-	851,650	-	851,650
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	(2,619)	18,180	15,561
Total comprehensive income in 2020	-	-	-	-	849,031	18,180	867,211
BALANCE AT DECEMBER 31, 2020	\$ 2,509,297	\$ 366,903	\$ 758,081	\$ 260,275	\$ 941,668	\$ (242,095)	\$ 4,594,129

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,035,915	\$ 822,524
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	69,511	62,537
Amortization	12,620	9,585
Expected credit loss	462	364
Interest expense	7,617	7,775
Interest income	(3,887)	(7,540)
Share of profits of subsidiaries, associates and joint ventures	(488,109)	(430,696)
Gain on disposal and retirement of property, plant and equipment	(65)	(216)
Transfer of property, plant and equipment to expenses	77	2,343
Gain on reversal of impairment loss on non-financial assets	-	(6,745)
Unrealized gross profit on sales to subsidiaries and associates	38,932	33,951
Realized gross profit on sales to subsidiaries and associates	(33,951)	(32,687)
Total adjustments to reconcile profit (loss)	(396,793)	(361,329)
Net changes in operating assets and liabilities		
Decrease (increase) in notes receivable	(3,607)	19,024
Decrease (increase) in accounts receivable	67,126	(83,271)
Decrease (increase) in accounts receivable - related parties	(169,367)	(14,149)
Decrease (increase) in other receivables	(4,793)	(4,130)
Decrease (increase) in other receivables - related parties	(1,158)	(6,986)
Decrease (increase) in inventories	165,918	95,908
Decrease (increase) in prepayments	(267)	2,901
Total changes in operating assets	53,852	9,297
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	18,536	8,495
Increase (decrease) in accounts payable	(130,542)	(117,525)
Increase (decrease) in accounts payable - related parties	83,970	99,389
Increase (decrease) in other payables	66,960	(3,233)
Increase (decrease) in other payables - related parties	2,986	162
Increase (decrease) in provisions	483	156
Increase (decrease) in advance receipts	(134)	460
Increase (decrease) in net defined benefit liabilities	(5,612)	(6,391)
Total changes in operating liabilities	36,647	(18,487)
Total net changes in operating assets and liabilities	90,499	(9,190)
Total adjustments	(306,294)	(370,519)

	Year Ended December 31	
	2020	2019
Cash generated from operations	\$ 729,621	\$ 452,005
Interest received	3,887	7,549
Dividends received	390,056	157,806
Interest paid	(7,672)	(7,788)
Income tax paid	(95,637)	(109,647)
Net cash generated from operating activities	<u>1,020,255</u>	<u>499,925</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(436,110)	(4,880)
Increase in prepayments for investments	-	(53,701)
Decrease in prepayments for investments	53,701	-
Acquisition of property, plant and equipment	(27,438)	(75,007)
Proceeds from disposal of property, plant and equipment	666	2,257
Increase in refundable deposits	-	(197)
Decrease in refundable deposits	234	-
Acquisition of intangible assets	(20,897)	(7,163)
Increase in other financial assets	(12,313)	-
Net cash used in investing activities	<u>(442,157)</u>	<u>(138,691)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	175,000
Decrease in short-term loans	(335,000)	-
Proceeds from long-term loans	300,000	-
Decrease in guarantee deposits	(307)	(2,421)
Repayments of lease principal	(15,353)	(13,364)
Cash dividends paid	(501,860)	(501,860)
Net cash used in financing activities	<u>(552,520)</u>	<u>(342,645)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,578	18,589
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	465,806	447,217
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 491,384</u>	<u>\$ 465,806</u>

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

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Stated Otherwise)

1. GENERAL INFORMATION

Sunonwealth Electric Machine Industry Co., Ltd. (collectively as the “Company”) was incorporated in October 1980. The Company engages mainly in the manufacturing and selling of AC/DC brushless fans, electric fans, motors and related components, and microcooling fans.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan Dollars.

2. THE AUTHORIZATION OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the Board of Directors on March 11, 2021.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IFRS 16 “New Coronavirus Pneumonia Related Rent Concessions”	June 1, 2020 (Note)

(Note) The FSC allows companies to apply the amendment in advance on January 1, 2020.

The Company has assessed the aforementioned standards and interpretations, and there’s no significant effect to the Company’s financial position and financial performance.

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	June 25, 2020 (Effective from issue date)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021 (Note)

(Note) The amendments are applicable for the annual reporting period beginning on or after January 1, 2021.

The Company has evaluated the aforementioned standards and interpretations, and there’s no significant effect to the Company’s financial position and financial performance.

- (3) Effect of IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

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

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

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

Note 2: Companies should apply these amendments retrospectively. However, the amendments are applicable to property, plant and equipment that are brought to the

location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 3: This amendment applies to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 4: This amendment applies to business combinations whose acquisition date starts in the annual reporting period after January 1, 2022.

Note 5: The amendments to IFRS 9 are applicable to swap or modification of terms of financial liabilities incurred during the annual reporting period beginning on January 1, 2022. The amendment to IAS 41 is applicable to fair value measurement during the annual reporting period beginning after January 1, 2022. The amendments to IFRS 1 are retrospectively applied to the annual reporting period beginning after January 1, 2022.

A. Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”

The amendments clarifies that when the Company judges whether liability is classified as noncurrent, the Company should assess whether the Company has the right to defer liquidation period after the reporting period at least twelve months. If the Company has the entity’s right on the end of the reporting period, liability must be classified as non-current whatever the Company expects whether executing the right or not. If the Company must follow certain condition to obtain the right to defer settlement of liability, the Company must have completed certain condition on the end of reporting period even if lender tests the Company whether following certain condition later. The aforementioned liquidation means that transferring cash, other economic resources or the Company’s equity instruments to counterparty to let liability wipe out. If liability clause will follow counterparty’s choice to liquidate liability by the Company’s equity instruments, this option must follow the regulations of IAS 32 “Financial Instruments: Presentation” to be recognized in equity individually and doesn’t have affect on the classification of liability.

B. Amendment to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendment stipulates that the sales price of the project produced in order to make property, plant and equipment reach the necessary location and state that can meet the expected operation mode of the management is not suitable as a cost reduction of the asset. The aforementioned items should be measured in accordance with IAS 2 “Inventory”, and the sales price and cost should be recognized in profit and loss in accordance with the applicable standards.

This amendment is applicable to factories, property and equipment that reach the necessary locations and conditions for the management's expected operation mode after January 1, 2021 (the beginning of the earliest expression period). When the Company initially applies the amendments, it will recognize the cumulative effect of the

amendments applied initially as an adjustment to the opening balance of the retained earnings (or other components of equity, as appropriate) at the beginning of the earliest expression period, and re-edit the information during the comparison period.

C. Amendment to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”

The amendment stipulates that when assessing whether the contract is onerous, “Cost of Fulfilling a Contract” should include the incremental cost of fulfilling a contract (for example, direct labor and raw materials) and the allocation of other costs directly related to fulfilling a contract (for example, the depreciation expenses of property, plant and equipment items used in fulfilling a contract are allocated).

The Company will recognize the cumulative effect on the retained earnings on the first application date when the amendment is first applied.

D. Amendment to IFRS 3 “Reference to the Conceptual Framework”

The amendment is to update the index of the conceptual framework and add the requirement that the acquirer shall apply IFRIC 21 “Levies” to determine whether there is an obligation to pay levies on the acquisition date.

E. Annual Improvements to IFRS Standards 2018-2020

The annual improvement in the IFRS 2018-2020 includes amendments to certain standards. Among them, the amendment of IFRS 9 “Expenses included in the “10%” test for the purpose of derecognise financial liabilities” is to assess whether there is a significant difference between the swap of financial liabilities or the modification of terms, When comparing cash flow projections of the new and old contract terms (including the net amount of fees charged for signing a new contract or modifying the contract), whether there is a 10% difference, the aforesaid fees collected should only include the payment between the borrower and the lender paid for.

F. Amendments to IAS 1 “Disclosure of Accounting Policies”

This amendment is to improve the disclosure of accounting policies and provide more useful information for major users of financial statements.

G. Amendments to IAS 8 “Definition of Accounting Estimates”

This amendment defines accounting estimates as the monetary amount of financial statements subject to measurement uncertainty, and provides further explanations and examples to help companies distinguish between changes in accounting policies and changes in accounting estimates.

As of the date the parent company only financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes the evaluation.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A.Except for the following items, the accompany parent company only financial statements have been prepared under the historical cost convention:

- a. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B.The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C.When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

(3) Foreign currency translation

A. Foreign currency transactions and balance

- a.Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- b.Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange

differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

- c. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

B. Translation of foreign operations

- a. The operating results and financial position of all the Company's subsidiaries, associates and joint ventures that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

- b. When the foreign operation partially disposed of or sold is an associate or a joint venture, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate or joint venture after losing significant influence over the former foreign associate or joint venture, such transactions should be accounted for as disposal of all interest in these foreign operations.

- c. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- a. Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed within the normal operating cycle;
- b. Assets held mainly for trading purposes;

- c. Assets that are expected to be realized within twelve months from the balance sheet date;
- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- a. Liabilities that are expected to be paid off within the normal operating cycle;
- b. Liabilities held mainly for trading purposes;
- c. Liabilities that are to be paid off within twelve months from the balance sheet date (Even if a long-term refinancing or re-arrangement of payment agreements is completed after the balance sheet date and before the issuance of the financial report is approved, it is classified as current liabilities).
- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months.)

(6) Financial instruments

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

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

a. Category of financial assets

Financial assets are recognized on a trade date basis.

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

(a) Financial asset at FVTPL

For certain financial assets are classified as at FVTPL when such a financial asset is mandatorily and designated classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not

designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

When the financial assets meet one of the following conditions, the Company designates them as measured at fair value through profit and loss at the time of initial recognition:

- i. It is a mixed (combined) contract; or
- ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
- iii. It is an investment that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.

Financial assets at FVTPL are subsequently measured at fair value. The dividends and interest recognized in other income and interest income; the net gain or loss recognized in other gains and losses earned on such a financial asset. Fair value is determined in the manner described in Note 12.

(b) Financial assets at amortized cost

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

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

Financial assets at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except for the following two cases, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset:

- i. Purchased or originated credit-impaired financial assets: for those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets: for those financial assets, the Company shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

b. Impairment of financial assets

- (a) At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivable and contract assets.

- (b) The Company always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Company recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equaling to 12-month ECL.
- (c) Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.
- (d) The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- (a) The contractual rights to receive cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- (c) The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of financial assets at amortized cost in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On derecognition of debt instrument measured at fair value through other comprehensive income, the difference between the financial asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of equity instruments at fair value through other comprehensive

income in its entirety, the cumulative profit and loss will be transferred directly to retained earnings without reclassified into profit and loss.

B. Equity instruments

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

C. Financial liabilities

a. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized cost in accordance with the effective interest method:

(a) Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss. Financial liabilities classified as held for trading are mainly for repurchasing in the short term when they occur, and derivatives other than financial guarantee contracts or designated and effective hedging instruments. Financial assets meet one of the following conditions, the Company designates them as measured at fair value through profit and loss at the time of initial recognition:

- i. It is a mixed (combined) contract; or
- ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
- iii. It is an instrument that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(7) Inventories

Inventories are stated at the lower of cost and net realisable value, accounted for on a perpetual basis. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of

cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(8) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. As long as the change in shareholding in the subsidiaries does not lead to loss of control, it is to be treated as equity transaction that is to be treated as transactions between the owners. The difference between non-controlling equity adjustment amount and the fair value of payment and receipt is to be recognized as equity
- E. When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. It should reclassify the amount previously recognized in other comprehensive income to profit or loss. When the Company loses control of a subsidiary, gain or loss previously recognized in equity should be reclassified to profit or loss.
- F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(9) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

Service lives estimated as follows:

Buildings:

Main building, 39 to 57 years;

Others, 2 to 39 years;

Machinery and equipment, 2 to 22 years;

Other equipment, 2 to 24 years;

Leasehold improvement, 2 to 22 years;

- D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(10) Leases/The Company as a lessee

The Company assesses whether the contract is (or includes) a lease at the date of the contract. For a contract that includes a lease component and one or more additional lease or non-lease components, the Company will allocate the consideration to the lease component base on the individual price of each lease component and the aggregated individual price of the non-lease component.

Except for payments for low-value asset and short-term leases which will be recognized as expenses on a straight-line basis, the Company will recognize right-of-use assets and lease liabilities for all leases at the inception of lease.

Right-of-use asset

The right-of-use asset is initially measured at cost (including the initial measurement amount of the lease liability, the payments less incentives, initial direct costs and the estimated recover cost), the subsequent measurement is based on the cost less accumulated depreciation and accumulated impairment loss, and adjusting the amount of re-measures of lease liabilities.

The right-of-use asset recognized depreciation is using the straight-line basis from the date of the lease until the expiration of the useful life or the expiration of the lease term, the depreciation is provided that the title of the underlying asset will be acquired at the end of the lease period or, if the cost of the right-of-use asset reflects the execution of the purchase option.

Lease liability

The lease liability is initially measured by the present value of the lease payment (including fixed payment, substantive fixed payment, change in lease payment depending on the index or rate, etc.). If the implied interest rate on the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, the lessee's increase borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If the lease period, the evaluation of the purchase choice, the amount of expected to be paid under the residual value guarantee or the change in the index or rate used to determine the lease payment result in a change in the future lease payment, the Company will measure the lease liability and adjust the right to use assets relatively. If the carrying amount has been reduced to Zero, the remaining amount will recognize in the profit and loss. Lease liabilities are presented in a single-line project on the parent company only balance sheet.

(11)Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), also include land held for a currently undetermined future use.

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

Investment properties in the course of construction are stated at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

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

(12)Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: computer software - 2 to 15 years; trademarks are the economic benefit or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets are derecognized when disposed of or expected to have no future economic benefits generated through usage or disposal. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(13)Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(14)Provisions

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

(15)Employee benefits

A.Short-term employee benefits

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

B.Pensions

a: Defined contribution plans

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

b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

(b) Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Past service costs are recognized immediately in profit or loss.

C. Employees' bonus and directors' remuneration

Employees' bonus and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

(16) Share capital and treasury shares

A. Share capital

Ordinary share is classified as equity. The classification of the preferred stock depends on the essence of the agreement. If the preferred stock matches the definition of the financial liability, it is classified as a liability. Otherwise, it is classified as equity. Incremental cost that can be attributed to the issuance of stocks or options is deducted from the capital issued.

B. Treasury Shares

When the Company acquires its outstanding shares, the repurchase considerations (including all directly accountable costs) are recognized under treasury shares and shown as a deduction in equity. Gains on disposal of treasury shares should be recognized under "capital surplus - treasury stock transactions"; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method for the purpose of repurchased shares.

When the Company's treasury shares are retired, the treasury share account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury shares in excess of the sum of its par value and premium on stock should first be offset against capital surplus from similar types of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of its carrying value should be credited to capital surplus from similar types of treasury share transactions.

(17) Share-based payment transactions

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted

shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B.Cash-settle share-based payment arrangements are the fair value of liabilities undertaken recognized in remuneration costs and liabilities in the vesting period and measured by the fair value of equity instruments offered at each balance sheet date and the settlement date. Any changes are recognized in profit or loss.

(18)Income tax

A.The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B.The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C.Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. Tax preference given for expenditures incurred on acquisitions of equipment or technology, research and development, employees' training and equity investments is recorded using the income tax credits accounting.

(19) Revenue Recognition

The Company recognizes revenues based on the following steps:

- A. Identifying the contracts;
- B. Identifying obligations in the contracts;
- C. Determining prices;
- D. Allocating prices into the obligations in the contracts;
- E. Recognizing revenues while fulfilling the obligations.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component if the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

A. Goods sales

The Company sells fans and other relevant products. Sales revenues are recognized while the control of goods is transferred to the customers since the customers already have the rights to use, set price, take the major responsibility to resell the good and bear the risk of obsolescence. The Company recognizes revenues and accounts receivable at the point and presents it in net term after deducting sales return, quantity discount and sales allowance.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

B. Service revenue

Revenue from technical services is recognized when services are provided that in accordance with the relevant agreements.

(20) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

(21) Government subsidy

Government subsidies are recognized at fair value when it is reasonably certain that the Company will comply with the conditions attached to the government subsidies and will receive such subsidies.

Government subsidies are recognized in profit and loss on a systematic basis during the period when the relevant costs that they intend to compensate are recognized as expenses by the company. If government subsidy is used to compensate for expenses or losses that have occurred, or for the purpose of providing the Company with immediate financial support and there is no future related cost, it is recognized in the profit and loss during the period when it can be received. Government subsidies related to property, plant and equipment are recognized as non-current liabilities, and recognized as profits and losses on a straight-line basis based on the estimated useful life of the relevant assets.

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

The preparation of the Company's parent company only financial statements is adopting accounting policies based on the following significant judgements, significant accounting estimates and assumptions:

(1) Critical judgements in applying accounting policies

A. Judgment of financial asset classification

The Company assesses the business model of financial assets based on the hierarchy that reflects the Company of financial assets that are jointly managed for specific business purposes. This assessment requires consideration of all relevant evidence, including measures of asset performance, risks affecting performance, and the manner in which the relevant managers are determined, and judgments are required.

The Company continues to assess the adequacy of its business model and monitors the financial assets measured by the amortized cost before the maturity date and the debt instrument investments measured at fair value through other comprehensive income. Evaluate whether the disciplinary action has the same goal of business model. If the business model has been changed, the Company delays the adjustment of the subsequent classification of financial assets. The Company reclassifies financial assets in accordance with IFRS 9, and the application will be postponed from the date of reclassification, if the business model has changed.

B. Revenue recognition

The Company follows IFRS 15 to determine if it controls the specified good or service before that good or service is transferred to the customer, and the Company is acting as a principal or an agent in that transaction. When the Company acts as an agent, revenue is recognized on a net basis.

The Company acts as a principal as that it meets one the of following situations:

- a. The Company gains control over the goods from the other party before transferring goods to customers.
- b. The Company controls the right of providing service by the other party in order to control the ability of the party to provide service to customers.
- c. The Company gain control over goods or service from the other party in order to combine with other goods or services to provide specific goods or services to customers.

The indicators (not limited to) which assist making judgment on whether the Company controls the goods or services before transferring goods or services to customers:

- a. The Company has primary responsibilities for the goods or services it provides;
- b. The Company bears inventory risk before transferring the specific goods or services to customer, or after transferring the control to customer.
- c. The Company has the discretion to set prices.

C. Lease term

In determining the lease term, the Company considers all the facts and circumstances that create an economic incentive to exercise (or not exercise) the option, including all expected change in facts and circumstances from the commencement date until the exercise date of the option. Factors considered include the contractual terms and conditions for the optional period, the significant leasehold improvements made (or expected) during the contract period, and the importance of the underlying assets to the Company's operations, etc. The lease term is reassessed if a significant change in circumstance that are within the control of the Company occurs.

(2) Critical accounting estimates and assumptions

A. Revenue Recognition

The Company recognizes records a refund for estimated future returns and other allowances in the same period the related revenue is recorded. Refund for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

B. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

C. Process of fair value measurement and evaluation

When the assets and liabilities at fair value with no active market, the Company determines whether to use outside appraisal and using proper evaluation techniques based on related regulation or its own judgment. If the Level 1 input value is not available while evaluating, the Company refers to the analysis of the investee's financial position and operating outcome, recent trading price, quotes on non-active market of same equity instrument, quotes on active market of similar equity instrument and evaluation multiples of comparable companies. If the future input value is different from expectation, the fair value might change. The Company updates input values quarterly according to the market status in order to monitor if the measurement of fair value is appropriate.

D. Impairment assessment of tangible and intangible assets

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

E. Impairment assessment on investment using equity method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value cannot be recoverable. The Company assesses the recoverable amount based on a projected future cash flow and receivable cash dividend of the investees, and disposal-generating future cash flow to ensure the

reasonableness of such assumptions.

F. Realisability of deferred income tax assets

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

G. Evaluation of inventories

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

H. Calculation of accrued pension obligations

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

I. Lessees' incremental borrowing rates

At the time of the decision to increase the borrowing rate of the lessee used in the lease payment, the risk-free interest rate and the same currency is used as the reference rate, and the estimated lessee's credit risk sticker and lease specific adjustments (such as asset-specific and secured factors) are taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

Item	December 31	
	2020	2019
Cash on hand	\$320	\$355
Cash in banks	491,064	465,451
Total	<u>\$491,384</u>	<u>\$465,806</u>

A. The Company have good credit quality in financial institutions, and the Company has transactions with a number of financial institutions to diversify credit risk that are

unlikely to be expected to default.

B. The Company had no cash and cash equivalents pledged to others.

(2) Notes receivable, net

Item	December 31	
	2020	2019
At amortized cost		
Notes receivable	\$16,344	\$12,737
Less: Loss allowance	(24)	(24)
Net	<u>\$16,320</u>	<u>\$12,713</u>

A. The Company had no notes receivable pledged to others.

B. Please refer to Note 6(3) for the relevant disclosure of loss allowance for notes receivable.

(3) Accounts receivable, net

Item	December 31	
	2020	2019
At amortized cost		
Accounts receivable	\$2,335,486	\$2,233,245
Less: Loss allowance	(8,841)	(8,379)
Net	<u>\$2,326,645</u>	<u>\$2,224,866</u>

A. The accounts receivable that were neither past due nor impaired was following the Company's credit policy determined by reference to the industry characteristics, operation scale and current financial position of the counterparties. The average credit period on sales of goods was 3-4 months.

B. The Company had no account receivable pledged to others.

C. To reduce major credit risk, the Company bought credit guarantee insurance.

D. Please refer to Note 7 for accounts receivable with related parties

E. The Company applies the simplified approach to provisions for expected credit losses, which permits the use of a lifetime expected credit losses provision for trade receivables (including other receivables). The expected credit losses on trade receivables are estimated by reference to past account aging records of the debtor, an analysis of the debtor's current financial position, and industrial trend. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of notes receivable and accounts receivable (including other receivables) is not further distinguished between the Company's different customer base.

F. The Company measures the loss allowance for notes receivable, accounts receivable and other receivables according to the preparation matrix (including related parties):

December 31, 2020	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
No past due	0.05%-5%	\$2,230,316	(\$7,656)	\$ 2,222,660
Past due within 30 days	0.05%-5%	146,899	(1,180)	145,719
Past due 31-90 days	0.05%-5%	10,639	(28)	10,611
Past due over 91 days	0.05%-5%	2,114	(1)	2,113
Total		<u>\$2,389,968</u>	<u>(\$8,865)</u>	<u>\$ 2,381,103</u>

December 31, 2019	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
No past due	0.05%-5%	\$2,127,158	(\$7,987)	\$2,119,171
Past due within 30 days	0.05%-5%	115,577	(339)	115,238
Past due 31-90 days	0.05%-5%	28,414	(77)	28,337
Past due over 91 days	0.05%-5%	7,020	-	7,020
Total		<u>\$2,278,169</u>	<u>(\$8,403)</u>	<u>\$2,269,766</u>

G. Movements of the loss allowance for notes and accounts receivable (include related parties) were as follows:

Item	Year Ended December 31	
	2020	2019
Beginning balance	\$8,403	\$8,039
Add: Provision for impairment	462	364
Less: Reversal of impairment	-	-
Less: Derecognition	-	-
Less: Write-offs	-	-
Other	-	-
Ending balance	<u>\$8,865</u>	<u>\$8,403</u>

The above provision has already taken into consideration of collateral or other credit enhancement. The other credit enhancement possessed by above receivables were \$460,071 thousand and \$560,479 thousand as of December 31, 2020 and 2019, respectively.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss. The Company's trade receivables for offsetting the contract amount are both \$0 thousand for the years ended December 31, 2020 and 2019.

H. Please refer to Note 12 for the relevant credit risk management and assessment method.

(4) Inventories and operating costs

Item	December 31	
	2020	2019
Raw materials	\$187,995	\$219,290
Supplies	3,647	6,516
Work in process	62,535	103,725
Finished goods	362,830	470,791
Subtotal	\$617,007	\$800,322
Less: Valuation allowance	(8,999)	(26,396)
Net	\$608,008	\$773,926

A. The related inventory (gain) loss recognized as operating cost for the years ended December 31, 2020 and 2019 were as follows:

Item	Year Ended December 31	
	2020	2019
Cost of goods sold	\$7,203,642	\$6,554,158
Unallocated overheads and labor cost	46,400	37,789
Loss on inventory valuation	(17,397)	(27,103)
Others	44,057	42,236
Total	\$7,276,702	\$6,607,080

B. The Company recognized inventory valuation loss of \$17,397 thousand and \$27,103 thousand for the years ended December 31, 2020 and 2019, respectively, as a result of raising some product prices and reducing some inventory.

C. The Company had no inventories pledged to others.

(5) Other financial assets - current

Item	December 31	
	2020	2019
Project deposits	\$12,313	\$ -

(6) Investments accounted for using equity method

Item	December 31	
	2020	2019
Subsidiaries:		
Successful Century Co., Ltd.	\$1,433,968	\$1,283,200
BVI Sunon International Limited	1,378,591	1,412,560
Sunon INC	91,086	77,075
Sunon SAS	69,955	67,024
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	1,852	1,990
Sunon Corporation	2,353	2,423
Sunon Electronics India Private Limited	2,157	4,020
Sunon Electronics Philippines Corp.	5,614	-
Sunon Properties Philippines Corp.	414,623	-
Total	<u>\$3,400,199</u>	<u>\$2,848,292</u>

- A. For more information regarding the subsidiaries of the Company, please refer to Note 4(3) to the Company's consolidated financial statements of 2020.
- B. The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements audited by auditors for the same years, except for Sunonwealth Electric Machine Ind.(H.K.) Ltd., Sunon Corporation and Sunon Electronics India Private Limited. The Company considered no material adjustments had these subsidiaries' financial statements been audited.
- C. The Company had no investments accounted for using equity method pledged to others as of December 31, 2020 and 2019.

(7) Property, plant and equipment

Item	December 31	
	2020	2019
Land	\$804,381	\$804,381
Buildings	204,195	204,195
Machinery and equipment	143,771	131,415
Miscellaneous equipment	78,796	81,659
Leasehold improvements	40,467	40,467
Equipment to be inspected and construction in progress	14,460	22,824
Total cost	<u>\$1,286,070</u>	<u>\$1,284,941</u>
Less: Accumulated depreciation	(246,545)	(221,109)
Accumulated impairment	-	-
Net	<u>\$1,039,525</u>	<u>\$1,063,832</u>

						Equipment to be Inspected and Construction in Progress	
	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Leasehold Improvement		Total
Cost							
Balance at January 1, 2020	\$804,381	\$204,195	\$131,415	\$81,659	\$40,467	\$22,824	\$1,284,941
Additions	-	-	2,357	11,456	-	13,935	27,748
Disposals	-	-	(10,095)	(23,590)	-	-	(33,685)
Reclassification	-	-	20,094	2,128	-	(22,222)	-
Transfer to expenses	-	-	-	-	-	(77)	(77)
Transfer from right-of-use assets	-	-	-	7,143	-	-	7,143
Balance at December 31, 2020	\$804,381	\$204,195	\$143,771	\$78,796	\$40,467	\$14,460	\$1,286,070
Accumulated depreciation and impairment							
Balance at January 1, 2020	\$ -	\$99,489	\$48,014	\$44,021	\$29,585	\$ -	\$221,109
Depreciation expense	-	5,395	22,507	23,593	3,636	-	55,131
Disposals	-	-	(9,494)	(23,590)	-	-	(33,084)
Transfer from right-of-use assets	-	-	-	3,389	-	-	3,389
Balance at December 31, 2020	\$ -	\$104,884	\$61,027	\$47,413	\$33,221	\$ -	\$246,545

						Equipment to be Inspected and Construction in Progress	
	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Leasehold Improvement		Total
Cost							
Balance at January 1, 2019	\$804,381	\$206,916	\$100,093	\$80,494	\$41,212	\$31,797	\$1,264,893
Effect of retrospective application of IFRS 16	-	-	-	(7,143)	-	-	(7,143)
Adjusted balance at January 1, 2019	\$804,381	\$206,916	\$100,093	\$73,351	\$41,212	\$31,797	\$1,257,750
Additions	-	245	4,627	15,799	309	40,153	61,133
Disposals	-	(2,966)	(8,903)	(15,682)	(4,048)	-	(31,599)
Reclassification	-	-	35,598	8,191	2,994	(46,783)	-
Transfer to expenses	-	-	-	-	-	(2,343)	(2,343)
Balance at December 31, 2019	\$804,381	\$204,195	\$131,415	\$81,659	\$40,467	\$22,824	\$1,284,941
Accumulated Depreciation and Impairment							
Balance at January 1, 2019	\$ -	\$96,998	\$38,656	\$36,551	\$30,056	\$ -	\$202,261
Effect of retrospective application of IFRS 16	-	-	-	(1,079)	-	-	(1,079)
Adjusted balance at January 1, 2019	\$ -	\$96,998	\$38,656	\$35,472	\$30,056	\$ -	\$201,182
Depreciation expense	-	5,457	16,220	24,232	3,576	-	49,485
Disposals	-	(2,966)	(6,862)	(15,683)	(4,047)	-	(29,558)
Balance at December 31, 2019	\$ -	\$99,489	\$48,014	\$44,021	\$29,585	\$ -	\$221,109

A. The details of interest capitalized: None.

B. The Company does not assess the impairment because there is no sign of impairment for the year ended December 31, 2020.

C. Property, plant and equipment pledged for the borrowings: Please refer to Note 8.

D. Reconciliations of current additions and the acquisition of property, plant and equipment in statement of cash flows were as follows:

Item	Year Ended December 31	
	2020	2019
Acquisition of property, plant and equipment	\$27,748	\$61,133
Decrease (increase) in equipment payable	(310)	13,874
Cash paid for acquisition of property, plant and equipment	\$27,438	\$75,007

(8) Lease agreement

A. Right-of-use assets

Item	December 31	
	2020	2019
Land and building	\$52,446	\$23,156
Other equipment	11,020	18,999
Total cost	\$63,466	\$42,155
Less: Accumulated depreciation	(21,622)	(12,820)
Accumulated impairment	-	-
Net	\$41,844	\$29,335

Cost	Land and Buildings	Other Equipment	Total
Balance at January 1, 2020	\$23,156	\$18,999	\$42,155
Additions	29,696	757	30,453
Disposals	(227)	-	(227)
Derecognition	(179)	(1,593)	(1,772)
Transfer to property, plant and equipment	-	(7,143)	(7,143)
Balance at December 31, 2020	\$52,446	\$11,020	\$63,466
Accumulated Depreciation and Impairment			
Balance at January 1, 2020	\$7,837	\$4,983	\$12,820
Depreciation expense	8,900	5,063	13,963
Derecognition	(179)	(1,593)	(1,772)
Transfer to property, plant and equipment	-	(3,389)	(3,389)
Balance at December 31, 2020	\$16,558	\$5,064	\$21,622

Cost	Land and Buildings	Other Equipment	Total
Balance at January 1, 2019	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 16	19,528	9,878	29,406
Additions	4,189	9,579	13,768
Disposals	(158)	-	(158)
Derecognition	(403)	(458)	(861)
Balance at December 31, 2019	<u>\$23,156</u>	<u>\$18,999</u>	<u>\$42,155</u>
Accumulated Depreciation and Impairment			
Balance at January 1, 2019	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 16	-	1,079	1,079
Depreciation expense	8,240	4,362	12,602
Derecognition	(403)	(458)	(861)
Balance at December 31, 2019	<u>\$7,837</u>	<u>\$4,983</u>	<u>\$12,820</u>

B. Lease liabilities

Item	December 31	
	2020	2019
Carrying amount of lease liabilities		
- current	\$12,299	\$12,190
- noncurrent	\$29,900	\$15,136

Ranges of discount rates for lease liabilities were as follows:

Item	December 31	
	2020	2019
Land and buildings	0.63%-0.96%	0.91%-0.96%
Other equipment	0.66%-0.96%	0.91%-3.99%

Please refer to Note 12(2) for lease liabilities with repayment periods.

C. Material lease-in activities and terms

The Company leased some land and buildings, etc. as factory, with the lease terms of 1 to 5 years. There is no sign of impairment of right-of-use assets as of December 31, 2020. Therefore, the Company didn't assess the impairment.

D. Sublet: None.

E. Other lease information:

(1) Please refer to Note 6(9) for the agreements to lease investment properties under operating lease.

(2) The current lease relevant expense information was as follows:

Item	Year Ended December 31	
	2020	2019
Short-term lease expense	\$133	\$1,145
Low-value asset lease expense	\$1	\$ -
Variable lease payments that excluded in the measurement of lease liabilities	\$ -	\$ -
Total cash outflow for leases (Note)	(\$15,487)	(\$14,509)

(Note): Including principle paid for current lease liabilities.

(9) Investment properties, net

Item	December 31	
	2020	2019
Land	\$89,384	\$89,384
Buildings	26,070	26,070
Total cost	\$115,454	\$115,454
Less: Accumulated depreciation	(15,252)	(14,835)
Accumulated impairment	(19,313)	(19,313)
Net	\$80,889	\$81,306

Cost	Land	Buildings	Total
Balance at January 1, 2020	\$89,384	\$26,070	\$115,454
Additions	-	-	-
Balance at December 31, 2020	\$89,384	\$26,070	\$115,454
Accumulated depreciation and impairment			
	Land	Buildings	Total
Balance at January 1, 2020	\$19,313	\$ 14,835	\$ 34,148
Depreciation expense	-	417	417
Provision for (reversal of) impairment loss	-	-	-
Balance at December 31, 2020	\$ 19,313	\$ 15,252	\$ 34,565

Cost	Land	Buildings	Total
Balance at January 1, 2019	\$89,384	\$26,070	\$115,454
Additions	-	-	-
Balance at December 31, 2019	\$89,384	\$26,070	\$115,454
Accumulated depreciation and impairment			
	Land	Buildings	Total
Balance at January 1, 2019	\$26,058	\$14,385	\$40,443
Depreciation expense	-	450	450
Provision for (reversal of) impairment loss	(6,745)	-	(6,745)
Balance at December 31, 2019	\$19,313	\$14,835	\$34,148

A. Above mentioned investment properties were land and buildings located at No. 1609, Wu Kuai Cuo Section, Kaohsiung and No. 307, Zheng Chang Section, Kaohsiung.

B. Rent income and direct operating expense of investment properties:

Item	Year Ended December 31	
	2020	2019
Rental income of investment properties	\$2,232	\$2,229
Direct operating expense incurred for the investment properties with current rental income	\$866	\$911

C. The maturity analysis of operating lease payments receivable for investment properties was as follows:

	December 31	
	2020	2019
Year 1	\$632	\$1,418
Year 2	171	-
Year 3	171	-
Year 4	171	-
Year 5	171	-
Over 5 years	-	-
Total	\$1,316	\$1,418

D. Investment properties are depreciated on a straight-line basis over their estimated useful life of 10 to 57 years.

E. The fair values of investment properties held by the Company were both \$112,494 thousand as of December 31, 2020 and 2019. The fair value determination was performed by independent qualified professional appraisers. The valuation was based on the comparison method, and the fair value was measured by using Level 3 inputs. Please refer to Note 12(3).

F. The accumulated impairment of investment properties were both \$19,313 thousand as of December 31, 2020 and 2019.

G. The Company had no investment properties pledged to others.

(10)Intangible assets

Item	December 31	
	2020	2019
Trademark	\$3,126	\$3,126
Computer software	23,509	17,029
Total cost	\$26,635	\$20,155
Less: Accumulated amortization	(8,843)	(10,302)
Net	\$17,792	\$9,853

Cost	Trademark	Computer Software	Total
Balance on January 1, 2020	\$3,126	\$17,029	\$20,155
Additions	-	20,493	20,493
Derecognition	-	(14,013)	(14,013)
Balance on December 31, 2020	\$3,126	\$23,509	\$26,635
Accumulated amortization and impairment			
Balance on January 1, 2020	\$ -	\$10,302	\$10,302
Amortization expense	-	12,554	12,554
Derecognition	-	(14,013)	(14,013)
Balance on December 31, 2020	\$ -	\$8,843	\$8,843

Cost	Trademark	Computer Software	Total
Balance on January 1, 2019	\$3,126	\$15,727	\$18,853
Additions	-	6,038	6,038
Derecognition	-	(4,736)	(4,736)
Balance on December 31, 2019	\$3,126	\$17,029	\$20,155

Accumulated amortization and impairment			
Balance on January 1, 2019	\$ -	\$5,949	\$5,949
Amortization expense	-	9,089	9,089
Derecognition	-	(4,736)	(4,736)
Balance on December 31, 2019	\$ -	\$10,302	\$10,302

(11)Prepayments for investments

Investee Company	December 31	
	2020	2019
Sunon Electronics Philippines Corp.	\$ -	\$6,110
Sunon Properties Philippines Corp.	-	47,591
Total	\$ -	\$53,701

(12)Short-term loans

Borrowings Nature	December 31, 2020	
	Amount	Interest
Unsecured loan	\$350,000	0.55%-0.80%

Borrowings Nature	December 31, 2019	
	Amount	Interest
Unsecured loan	\$685,000	0.89%-0.97%

(13)Other payables (including other payables - related parties)

Item	December 31	
	2020	2019
Accrued payroll	\$ 161,045	\$131,464
Commission payable	14,717	15,089
Service fee payable	12,004	12,740
R & D payable	21,388	19,278
Bonus to employees and remuneration to directors	36,500	29,119
Equipment payable	10,328	10,018
Others	70,932	39,409
Total	\$ 326,914	\$257,117

Please refer to Note 7 for other payables with related parties.

(14) Provisions - current

Item	December 31	
	2020	2019
Employee benefits	\$13,759	\$13,276

Item	Year Ended December 31	
	2020	2019
Beginning balance	\$13,276	\$13,120
Additional provisions recognized	483	156
Provisions used	-	-
Ending balance	\$13,759	\$13,276

Provision for employee benefits represents vested short-term service leave entitlements accrued.

(15) Long-term loans and current portion of long-term loans

Item	December 31	
	2020	2019
Mortgage loans	\$220,000	\$220,000
Unsecured loan	300,000	-
Less: portion due within one year	-	-
Long-term loans	\$520,000	\$220,000
Interest rate range	0.81%-1.17%	1.34%

A. Refer to Note 8 for assets pledged as collateral for long-term loans.

B. Under the loan agreement, the Company should maintain certain current ratio, debt ratio, interest coverage and net tangible value based on the Company's audited semi-annual and annual consolidated financial statements. As of December 31, 2020, the Company had no irregularities.

(16) Pension**A. Defined contribution plans**

- a. The plan under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

- b. The total expenses recognized in the statements of comprehensive income were \$22,257 thousand and \$21,956 thousand, representing the contributions payable to these plans by the Company at the rates specified in the plans for the years ended December 31, 2020 and 2019, respectively.

B. Defined benefit plans

- a. The Company has defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 6% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.
- b. The amounts arising from the defined benefit obligation of the Company in the balance sheets were as follows:

Item	December 31	
	2020	2019
Present value of defined benefit obligation	\$85,430	\$82,159
Fair value of plan assets	(26,039)	(20,430)
Net defined benefit liabilities	<u>\$59,391</u>	<u>\$61,729</u>

- c. Movements of the net defined benefit liabilities were as follows:

Item	Year Ended December 31, 2020		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$82,159	(\$20,430)	\$61,729
Service cost			
Current service cost	-	-	-
Interest expense (income)	718	(210)	508
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	<u>\$718</u>	<u>(\$210)</u>	<u>\$508</u>

Remeasurement

Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$633)	(\$633)
Actuarial loss (gain) -			
Changes in demographics assumptions	-	-	-
Changes in financial assumptions	4,165	-	4,165
Experience adjustments	(258)	-	(258)
Recognized in other comprehensive income	\$3,907	(\$633)	\$3,274
Contributions from the employer	\$ -	(\$6,120)	(\$6,120)
Benefits paid from plan assets	(1,354)	1,354	-
Balance at December 31	\$85,430	(\$26,039)	\$59,391

Year Ended December 31, 2019

Item	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance, at January 1	\$94,388	(\$18,728)	\$75,660
Service cost			
Current service cost	-	-	-
Interest expense (income)	1,298	(289)	1,009
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	\$1,298	(\$289)	\$1,009
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$654)	(\$654)
Actuarial loss (gain)			
Changes in demographics assumptions	781	-	781
Changes in financial assumptions	5,532	-	5,532
Experience adjustments	(13,199)	-	(13,199)
Recognized in other comprehensive income	(\$6,886)	(\$654)	(\$7,540)
Contributions from the employer	\$ -	(\$7,400)	(\$7,400)
Benefits paid from plan assets	(6,641)	6,641	-
Balance at December 31	\$82,159	(\$20,430)	\$61,729

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

(a) Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

(b) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

(c) Salary risk

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

e. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.875%
Future salary increase rate	2.00%	2.00%
The weighted average duration of the defined benefit obligation	13.3 years	14 years

(a) Assumptions regarding future mortality experience are set based on actuarial valuation in accordance with the 5th version of Taiwan Standard Ordinary Experience Mortality Tables.

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

Item	December 31	
	2020	2019
Discount Rate		
0.25% higher	(\$2,807)	(\$2,832)
0.25% lower	\$2,931	\$2,962

Expected rates of salary increase

0.25% higher	<u>\$2,838</u>	<u>\$2,881</u>
0.25% lower	<u>(\$2,733)</u>	<u>(\$2,769)</u>

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

- E. The Company expects to make contributions of \$6,000 thousand to the defined benefit plans for the year ended December 31, 2021.

(17)Share capital

- A. Movements in the number of the Company's ordinary shares outstanding were as follows:

Item	Year Ended December 31, 2020	
	Shares (in thousands)	Amount
Balance at January 1	250,930	\$2,509,297
Capital increase in cash	-	-
Capitalization of retained earnings	-	-
Balance at December 31	<u>250,930</u>	<u>\$2,509,297</u>

Item	Year Ended December 31, 2019	
	Shares (in thousands)	Amount
Balance at January 1	250,930	\$2,509,297
Capital increase in cash	-	-
Capitalization of retained earnings	-	-
Balance at December 31	<u>250,930</u>	<u>\$2,509,297</u>

- B. As of December 31, 2020, the authorized capital is \$3,000,000 thousand, consisting of 300,000 thousand shares.

(18)Capital surplus

Item	December 31	
	2020	2019
From merger	\$18,227	\$18,227
From convertible bonds	326,015	326,015
Treasury share transactions	21,464	21,464
Reorganization	1,050	1,050
Differences between considerations and carrying amounts of subsidiaries acquired or disposed	147	147
Total	\$366,903	\$366,903

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and donations can be used to offset deficit or may be distributed as stock dividends or in cash. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's paid-in capital. Capital surplus can't be used to offset deficit unless legal reserve is insufficient. The capital surplus from long-term investments may not be used for any purpose.

(19)Retained earnings and dividend policy

- (1) In accordance with the dividend policy as set forth in the Company's Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, and the remainder plus prior year's unappropriated earnings will be recommended by the board of directors and approved through the shareholders' meeting.

In consideration of its operation and capital expenditure demands, the Company stipulates appropriate dividend distribution ratio, and proposes for approval in the shareholders' meeting. However, at least 20% of total dividends should be distributed in cash.

- (2) Legal reserve may be used to offset a deficit, and be transferred to capital or distributed in cash. However, legal reserve can be transferred to capital or distributed in cash only when the legal reserve has exceeded 25% of the Company's paid-in capital.

(3) Special reserve

Item	December 31	
	2020	2019
Reserve for the debit balance of other equities	\$181,120	\$85,554
Reserve for first-time adoption of IFRS	79,155	79,155
Total	<u>\$260,275</u>	<u>\$164,709</u>

A. While earning distribution, the earnings can be distributed after appropriation of the equivalent amount of the debit balance of the other equities of the balance sheet.

B. Under Rule No.1010012865 issued by the FSC for first-time adoption of IFRS, the special reserve can be reversed while usage, disposal and reclassification of related assets.

(4) The appropriation of 2019 and 2018 earnings had been resolved at the shareholders' meeting in June 2020 and June 2019, respectively. Details were summarized below:

Item	Amount		Dividends Per Share	
	2019	2018	2019	2018
Legal reserve	\$68,683	\$60,512		
Special reserve	95,566	37,598		
Cash dividends	501,860	501,860	2.0	2.0
Total	<u>\$666,109</u>	<u>\$599,970</u>		

(5) The appropriation of 2020 earnings had been proposed by the Board of Directors on March 11, 2021. Details were summarized below:

Item	Amount	Dividends Per Share
Legal reserve	\$84,903	
Special reserve	(18,180)	
Cash dividends	602,231	2.4

A. The appropriations of earnings for 2020 are to be presented for approval in the shareholders' meeting to be held in June 2021.

B. In the event of repurchase of the Company's shares, transfer, conversion or annulment of treasury stocks, and exercise of employees' stock options, leading to a change in the number of outstanding shares and a consequent change in dividend yield, it is proposed that the chairman is authorized by the Board of Directors to duly adjust stocks and cash payout rates.

(6) Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(20)Other equity

Item	Exchange Differences on Translation of Foreign Operations	
	Year Ended December 31	
	2020	2019
Beginning balance	(\$260,275)	(\$164,709)
Exchange differences arising on translation of foreign operations	18,180	(95,566)
Ending balance	(\$242,095)	(\$260,275)

(21)Operating revenues

Item	Year Ended December 31	
	2020	2019
Revenue from contracts with customer		
Total revenues	\$8,684,836	\$7,885,563
Sales returns	(29,897)	(10,244)
Sales discount	(43,189)	(43,973)
Net	\$8,611,750	\$7,831,346

A. Explain of contract revenue

Sales of fans and other related goods are mainly to system manufacturers and distributors. Please refer to Note 14 for the main sale areas.

B. The Company's timing of recognition is transferred the goods at a certain point of time.**C. Contract balances**

The Company recognizes the receivable, contract assets and contract liabilities related to contract revenue as follows:

Item	December 31	
	2020	2019
Receivable	\$2,342,965	\$2,237,579
Contract assets	-	-
Total	\$2,342,965	\$2,237,579
Contract liabilities - current	\$37,776	\$19,240

a. Significant changes in contract assets and contract liabilities

The changes in the contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment, and there is no other significant changes.

b. Amount from previous period's satisfied performance obligations and beginning contract liabilities recognized in the current period as income were as follows:

Revenue in the current period	Year Ended December 31	
	2020	2019
From beginning contract liabilities	\$19,240	\$10,745
From previous period's satisfied performance obligations	\$ -	\$ -

(22)Labor cost, depreciation and amortization

Item	Year ended December 31, 2020		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$31,998	\$492,594	\$524,592
Insurance	3,214	38,361	41,575
Pension	1,651	21,114	22,765
Remuneration to directors	-	13,000	13,000
Others	3,770	40,861	44,631
Depreciation	12,881	56,630	69,511
Amortization	262	12,358	12,620
Total	\$53,776	\$674,918	\$728,694

Item	Year ended December 31, 2019		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$25,807	\$460,632	\$486,439
Insurance	2,832	38,149	40,981
Pension	1,405	21,560	22,965
Remuneration to directors	-	10,500	10,500
Others	3,223	38,209	41,432
Depreciation	10,747	51,790	62,537
Amortization	579	9,006	9,585
Total	\$44,593	\$629,846	\$674,439

1. Additional information of the number of employees and employee benefits expenses for the years ended December 31, 2020 and 2019 were as follows:

Item	December 31	
	2020	2019
The number of employees	550	547
The number of directors who were not adjunct employees	5	5
Average employee benefits expenses	\$1,163	\$1,092
Average employee salary	\$963	\$897
Changes in adjusting average employee salary	7.36%	8.07%
Remuneration of supervisors	-	-

2. The Company's salary and remuneration policy, including that for directors, managers and employees, is as follows:

(1) Directors' remuneration:

- A. The Company's Articles of Incorporation clearly stipulate that not higher than 5% of the annual profit shall be allocated as the director's remuneration.
- B. The remuneration to the directors shall be determined by the Board of Directors according to their degree of participation in the operation of the Company, the value of their contribution, and the usual standards of the industry.

(2) Managers' remuneration:

The remuneration to the managers is based on their duties, contributions, the Company's annual operation performance and in consideration of the Company's future risks, and is reviewed by the remuneration committee and submitted to the Board of Directors for resolution.

(3) Employees' compensation:

The employees' compensation includes monthly salary and various bonuses, annual year-end and performance bonuses, as well as remuneration issued by the Company based on annual profitability.

- A. The Company's various salary awards are issued in accordance with the Company's various salary and bonus systems.
- B. The Company's Articles of Incorporation clearly stipulate that not less than 2% of the annual profit is used as employees' compensation. The distribution method is proposed by the remuneration committee to the Board of Directors and issued after the Board of Directors' approval.

3. The Company accrued employees' compensation and remuneration to directors at the rates not less than 2% and not higher than 5% of net income before income tax, employees' compensation and remuneration to directors during the period. If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

4. The employees' compensation and remuneration to directors for the years ended December 31, 2020 and 2019 had been approved by the Company's Board of Directors meeting held on March 11, 2021 and March 11, 2020, respectively, and the relevant amounts recognized in the parent company only financial statement were as follows:

	Year ended December 31			
	2020		2019	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Resolution amount of allotment	\$23,500	\$13,000	\$18,619	\$10,500
Recognized in financial statements	23,500	13,000	18,619	10,500
Difference	\$ -	\$ -	\$ -	\$ -

The above mentioned employees' compensation will be paid by cash.

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

(23)Interest income

Item	Year Ended December 31	
	2020	2019
Interest on bank deposits	\$1,798	\$3,431
Interest on early payment	2,071	4,087
Others	18	22
Total	\$3,887	\$7,540

(24)Other income

Item	Year Ended December 31	
	2020	2019
Rental income	\$3,874	\$3,872
Others - patent income	11,681	12,222
Others – sample sales, etc.	63,127	44,909
Others	41,805	47,392
Total	\$120,487	\$108,395

(25) Other gains and losses

Item	Year Ended December 31	
	2020	2019
Gain on disposal of property, plant and equipment	\$65	\$216
Net currency exchange gain	136,510	41,217
Gain on reversal of impairment loss of investment properties	-	6,745
Others	(4,796)	(5,861)
Total	<u>\$131,779</u>	<u>\$42,317</u>

(26) Finance costs

Item	Year Ended December 31	
	2020	2019
Interest on loans	\$7,245	\$7,433
Interest on lease liabilities	372	342
Less: capitalized amount for qualified assets	-	-
Finance costs	<u>\$7,617</u>	<u>\$7,775</u>

(27) Income tax expense

A. The major components of tax expense were as follows:

Current income tax	Year Ended December 31	
	2020	2019
Current tax expense	\$177,351	\$99,348
Adjustments in tax of prior periods	(18,618)	(2,017)
Total	<u>\$158,733</u>	<u>\$97,331</u>
Deferred income tax		
The origination and reversal of temporary differences	\$25,532	\$44,392
Total	<u>\$25,532</u>	<u>\$44,392</u>
Income tax expense	<u>\$184,265</u>	<u>\$141,723</u>

B. Income tax expense recognized in other comprehensive income was as follows:

Item	Year Ended December 31	
	2020	2019
Share of other comprehensive loss of subsidiaries, associates and joint ventures	\$4,545	(\$23,892)
Remeasurement of defined benefit plans	(655)	1,508
Total	<u>\$3,890</u>	<u>(\$22,384)</u>

C. Reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

Item	Year Ended December 31	
	2020	2019
Income before income tax	\$1,035,915	\$822,524
Income tax expense at the statutory rate	\$207,183	\$164,504
Tax effect of adjusting items:		
Loss on investment under equity method	(97,622)	(86,139)
Expenses not deductible for tax purpose	67,790	20,983
Adjustments for prior year's tax adjustments	(18,618)	(2,017)
Deferred income tax expense		
Temporary differences	25,532	44,392
Income tax expense recognized in profit or loss	\$184,265	\$141,723

The applicable tax rate used by the Company is 20%. In addition, the tax rate applicable to unappropriated earning is 5%.

According to the amendments to the Statute for Industrial Innovation announced in July 2019, the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company has already deducted the amount of the unappropriated earnings that has been reinvested as capital expenditures.

The Company applied for and was approved the repatriation of offshore funds (including mainland China) within the time limit in accordance with the “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” effective from August 15, 2019. The applicable tax rate exempt from taxation is 8% for the first year and 10% for the second year under the general income tax system. A profit-seeking enterprise may apply to the Ministry of Economic Affairs for engaging in substantive investment within one year from the date of repatriating funds and has a 50% tax refund preference when completing the investment within the time limit.

D. Deferred tax assets and liabilities from temporary differences

Year Ended December 31, 2020					
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Net defined benefit liability	\$12,346	(\$1,122)	\$655	\$ -	\$11,879
Unrealized loss on inventories	5,279	(3,479)	-	-	1,800
Unused compensated absences	2,655	96	-	-	2,751
Subtotal	\$20,280	(\$4,505)	\$655	\$ -	\$16,430
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under equity method	\$61,483	\$15,106	\$4,545	\$ -	\$81,134
Unrealized exchange gain	3,342	5,921	-	-	9,263
Subtotal	\$64,825	\$21,027	\$4,545	\$ -	\$90,397
Total	(\$44,545)	(\$25,532)	(\$3,890)	\$ -	(\$73,967)

Year Ended December 31, 2019					
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Loss on investment under equity method	\$384	(\$384)	\$ -	\$ -	\$ -
Net defined benefit liability	15,132	(1,278)	(1,508)	-	12,346
Unrealized loss on inventories	10,700	(5,421)	-	-	5,279
Unused compensated absences	2,624	31	-	-	2,655
Subtotal	\$28,840	(\$7,052)	(\$1,508)	\$ -	\$20,280
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under equity method	\$51,001	\$34,374	(\$23,892)	\$ -	\$61,483
Unrealized exchange gain	376	2,966	-	-	3,342
Subtotal	\$51,377	\$37,340	(\$23,892)	\$ -	\$64,825
Total	(\$22,537)	(\$44,392)	\$22,384	\$ -	(\$44,545)

E. Items with no deferred tax assets recognized:

Item	December 31	
	2020	2019
Loss on investment under the equity method	\$2,437	\$1,113

F. The tax authorities have ratified Company's income tax returns through Year 2018.

(28)Other comprehensive income (loss)

Item	Year Ended December 31, 2020		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(\$3,274)	\$655	(\$2,619)
Subtotal	(\$3,274)	\$655	(\$2,619)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	\$22,725	(\$4,545)	\$18,180
Subtotal	\$22,725	(\$4,545)	\$18,180
Recognized in other comprehensive income (loss)	\$19,451	(\$3,890)	\$15,561

Item	Year Ended December 31, 2019		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	\$7,540	(\$1,508)	\$6,032
Subtotal	\$7,540	(\$1,508)	\$6,032
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(\$119,458)	\$23,892	(\$95,566)
Subtotal	(\$119,458)	\$23,892	(\$95,566)
Recognized in other comprehensive income (loss)	(\$111,918)	\$22,384	(\$89,534)

(29)Earnings per share

Item	Year Ended December 31	
	2020	2019
Net income	\$851,650	\$680,801
Weighted average shares outstanding (in thousands)	250,930	250,930
Basic earnings per share (after tax)	\$3.39	\$2.71
Net income	\$851,650	\$680,801
Effect of potential dilutive ordinary shares	-	-
Net income used in computation of diluted earning per share	\$851,650	\$680,801
Weighted average shares outstanding (in thousands)	\$250,930	\$250,930
Impact on employees' compensation (Note)	437	393
Weighted average number of ordinary shares outstanding after dilution (in thousands)	251,367	\$251,323
Diluted earning per share (after tax)	\$3.39	\$2.71

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

The Company is the ultimate controlling party.

(2) Related party name and category:

Related Party Name	Related Party Category
Sunon SAS	Subsidiary
Sunon INC	Subsidiary
Sunon Electronic (Kunshan) Co., Ltd.	Subsidiary
Sunon Electronic (Foshan) Co., Ltd.	Subsidiary
Sunon Electronic (Bei Hai) Co., Ltd.	Subsidiary
Sunon Electronics India Private Limited	Subsidiary

Sunon Electronics Philippines Corp.	Subsidiary
Sunon Properties Philippines Corp.	Subsidiary
Guang Sheng Investment Corporation	Other related parties
Shehng-Yuan Children Development and Adult Support Services Center	Other related parties
Yo Yuan Investment Corporation	Other related parties

(3) Significant transactions with related parties:

A. Sales:

Related Party Category	Year Ended December 31	
	2020	2019
Subsidiaries	\$1,195,955	\$1,123,846

Selling prices with the related parties are set by the Company and are equivalent to those with ordinary customers. Collection period was 2 to 4 months. Collection can be delayed when agreed on by both parties.

B. Purchase:

Related Party Category	Year Ended December 31	
	2020	2019
Subsidiaries:		
Sunon Electronic (Kunshan) Co., Ltd.	\$1,876,694	\$1,667,171
Sunon Electronic (Bei Hai) Co., Ltd.	1,809,172	1,397,958
Others	37,147	21,795
Total	\$3,723,013	\$3,086,924

Except for the purchase price from Sunon Electric (Bei Hai) Co., Ltd., which undertakes the transfer of the Company that the pricing is based on the Company's order taking prices, the purchase prices with the related parties are equivalent to those with ordinary suppliers. Payment terms were 2 to 4 months for other suppliers and 2 to 3 months for related parties. In addition, both parties can agree to advance the payment.

C. Contract assets: None.

D. Contract liabilities: None.

E. Balance of receivables (excluding lending to related parties and contract assets):

Related Party Category	December 31	
	2020	2019
Accounts receivable:		
Subsidiaries		
Sunon Electronics (Bei Hai) Co., Ltd.	\$240,671	\$122,345
Others	289,884	238,843
Total	<u>\$530,555</u>	<u>\$361,188</u>
Other receivables:		
Subsidiaries		
Sunon Electronic (Kunshan) Co., Ltd.	\$16,033	\$7,787
Sunon Electronic (Foshan) Co., Ltd.	-	5,614
Others	3,353	4,827
Total	<u>\$19,386</u>	<u>\$18,228</u>

F. Balance of payables (excluding borrowing from related parties):

Related Party Category	December 31	
	2020	2019
Accounts payables:		
Subsidiaries		
Sunon Electronic (Kunshan) Co., Ltd.	\$536,800	\$427,540
Sunon Electronic (Foshan) Co., Ltd.	140,843	273,344
Sunon Electronic (Bei Hai) Co., Ltd.	532,309	425,109
Others	11	-
Total	<u>\$1,209,963</u>	<u>\$1,125,993</u>
Other payables:		
Subsidiaries	<u>\$14,907</u>	<u>\$11,921</u>

G. Prepayments: None.

H. Property transactions:

a. Purchase of property, plant and equipment

Related Party Category	Acquisition Price	
	Year Ended December 31	
	2020	2019
Subsidiaries	<u>\$ -</u>	<u>\$918</u>

Above mentioned transaction prices were negotiated by both parties, and paid in full as of December 31, 2019.

b. Disposal of property, plant and equipment

Related Party Category	Disposal Price	
	Year Ended December 31	
	2020	2019
Subsidiaries	\$600	\$2,257

Related Party Category	Disposal Gain	
	Year Ended December 31	
	2020	2019
Subsidiaries	\$10	\$216

Above mentioned transaction prices were negotiated by both parties, and totally received as of December 31, 2020 and 2019.

I. Lessee arrangements:

Item	Related Party Category	Year Ended December 31	
		2020	2019
Acquisition of right-of-use asset	Other related parties	\$310	\$245

Item	Related Party Category	December 31	
		2020	2019
Refundable deposits	Other related parties	\$26	\$26
Lease liabilities - current	Other related parties	\$155	\$91
Lease liabilities - noncurrent		\$91	\$ -

Item	Related Party Category	Year Ended December 31	
		2020	2019
Interest expense	Other related parties	\$1	\$2

Above lease terms are based on the contract, and rent is paid monthly.

J. Rent arrangements: None.

K. Financing activities - lending to related parties: None.

L. Financing activities - borrowing from related parties: None.

M. Guarantee for related parties:

Related Party Category	December 31	
	2020	2019
Subsidiaries	USD 20,000	USD 20,000

N. Others:

a. Processing fee

Related Party Category	December 31	
	2020	2019
Subsidiaries		
Sunon Electronic (Foshan) Co., Ltd.	\$867,983	\$959,162
Others	-	88,222
Total	\$867,983	\$1,047,384

Above mentioned pricing of the related parties are equivalent to those of other processors. Payment term was 2 to 3 months. However, both parties can agree to advance the payment.

b. Guarantee deposits:

Related Party Category	December 31	
	2020	2019
Shehng-Yuan Children Development and Audit Support Services Centry	\$45	\$45
Other related parties	10	10
Total	\$55	\$55

c. Miscellaneous income:

Related Party Category	Year Ended December 31	
	2020	2019
Subsidiaries		
Sunon Electronic (Kunshan) Co., Ltd.	\$22,202	\$14,595
Sunon SAS	13,487	10,433
Others	10,239	11,899
Other related parties	194	194
Total	\$46,122	\$37,121

Miscellaneous income is mainly samples, rent and patent income. Rent prices are according to the contract agreement and received monthly.

d. Miscellaneous expenses:

Related Party Category	Year Ended December 31	
	2020	2019
Subsidiaries		
Sunon SAS	\$41,631	\$48,472
Sunon INC	31,298	26,216
Others	6,461	247
Total	<u>\$79,390</u>	<u>\$74,935</u>

Miscellaneous expenses are mainly commission fees.

e. Subscription of related parties' capital increase

Year ended December 31, 2020:

Related Party	Investment Increase		Shareholding Ratio	
	Number of shares (thousand shares)	Amount	Before capital increase	After capital increase
Subsidiaries				
Sunon Electronics Philippines Corp.	102	\$6,110	-	99.99%
Sunon Properties Philippines Corp.	7,068	430,000	-	99.99%

Year ended December 31, 2019:

Related Party	Investment Increase		Shareholding Ratio	
	Number of shares (thousand shares)	Amount	Before capital increase	After capital increase
Subsidiaries	-	\$53,701	-	-

(4) Key management compensation

Related Party Category	Year Ended December 31	
	2020	2019
Salaries and other short-term employee benefits	\$63,376	\$62,564
Post-employment benefits	-	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	<u>\$63,376</u>	<u>\$62,564</u>

8. PLEDGED ASSETS

Related Party Category	December 31	
	2020	2019
Property, plant and equipment (net)	<u>\$496,858</u>	<u>\$496,858</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2020 and 2019, the Company issued guarantee notes for bank loans amounting to \$3,231,400 thousand and \$2,895,790 thousand, respectively.
- (2) Commitments and contingency as of December 31, 2020 and 2019 consisted of the following:

Item	(In thousands)	
	December 31	
	2020	2019
L/C Amount	USD 1,273	USD 1,009 NTD 1,972

- (3) As of December 31, 2020 and 2019, the note endorsement for material purchase were as follows:

Item	(In thousands)	
	December 31	
	2020	2019
USD	1,345	1,885
NTD	-	1,403

- (4) As of December 31, 2020 and 2019, the Company endorsed guarantees for others. Please refer to Note 13 for the information.

- (5) Statement of lawsuit

SIAE Microelettronica S.P.A. filed a lawsuit against the Company for the infringement on April 8, 2020. The Company has appointed the lawyer to proceed with the litigation, and it is under the jurisdiction of Kaohsiung District Court in Taiwan. The final outcome will depend on the future litigation procedures and will not have a significant impact on the Company's operations.

10. SIGNIFICANT DISASTER LOSS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS

- (1) Capital risk management

The Company should maintain an adequate capital structure to enable the expansion and enhancement of equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases and debt service requirements associated with its existing operations over the next 12 months.

(2) Financial instruments

A. Financial risk of financial instruments

Financial risk management policies

The Company's activities expose to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To lower down the related financial risk, the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Company Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Significant financial risks and degrees of financial risks

a. Market risk

(a) Foreign exchange rate risk

The Company's functional currency is New Taiwan dollars. Many of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company raises loans denominated in foreign currency and derivative financial instruments to hedge the currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements. The derivative financial instruments the Company held with maturities less than 3 months are not qualified for hedge accounting. The net investment in foreign operation is strategic investment. Therefore, the Company does no hedge for it.

(b) Foreign currency risk and sensitivity analysis

December 31, 2020						
	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
Financial assets						
Monetary item						
USD:NTD	80,153	28.4800	2,282,762	increase 1%	22,828	-
EUR:NTD	7,640	35.0200	267,563	increase 1%	2,676	-
JPY:NTD	31,976	0.2763	8,835	increase 1%	88	-
RMB:NTD	729	4.3648	3,183	increase 1%	32	-

<u>Investments accounted for using equity method</u>						
USD:NTD	53,548	28.4800	1,525,054	increase 1%	-	15,251
EUR:NTD	1,998	35.0200	69,955	increase 1%	-	700
RMB:NTD	315,843	4.3648	1,378,591	increase 1%	-	13,786
PHP:NTD	708,782	0.5929	420,237	increase 1%	-	4,202
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:NTD	69,636	28.4800	1,983,226	increase 1%	(19,832)	-
EUR:NTD	245	35.0200	8,567	increase 1%	(86)	-
JPY:NTD	482	0.2763	133	increase 1%	(1)	-

	December 31, 2019					
	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
Financial assets						
Monetary item						
USD:NTD	69,462	29.9800	2,082,481	increase 1%	20,825	-
EUR:NTD	8,333	33.5900	279,921	increase 1%	2,799	-
JPY:NTD	27,139	0.2760	7,490	increase 1%	75	-
RMB:NTD	504	4.2975	2,167	increase 1%	22	-
Investments accounted for using equity method						
USD:NTD	45,373	29.9800	1,360,275	increase 1%	-	13,603
EUR:NTD	1,995	33.5900	67,024	increase 1%	-	670
RMB:NTD	328,693	4.2975	1,412,560	increase 1%	-	14,126
Financial liabilities						
Monetary item						
USD:NTD	66,929	29.9800	2,006,518	increase 1%	(20,065)	-
EUR:NTD	252	33.5900	8,475	increase 1%	(85)	-
JPY:NTD	1,447	0.2760	399	increase 1%	(4)	-

When New Taiwan dollar appreciates and other variation factors stay unchanged, there will be the same but opposite amount of influence as of December 31, 2020 and 2019.

The details of unrealized exchange gain (loss) for montary items due to material exchange rate fluctuation were as follow:

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Foreign Exchange Gain (Loss)			Foreign Exchange Gain (Loss)		
	Foreign Currency (In thousands)	Exchange Rate	Carrying Value	Foreign Currency (In thousands)	Exchange Rate	Carrying Value
Financial Assets						
Monetary Item						
USD: NTD	-	29.5330	(21,201)	-	30.9110	(39,141)
EUR: NTD	-	33.7400	6,499	-	34.6000	124
USD: RMB	-	4.2816	142	-	4.4808	(165)
Financial Liabilities						
Monetary Item						
USD: NTD	-	29.5330	60,859	-	30.9110	56,019
EUR: NTD	-	33.7400	(40)	-	34.6000	18

b. Price risk

The Company does not hold financial instrument which measured by fair value.

c. Interest rate risk

The carrying amount of the financial assets and liabilities that exposed to interest rate risk as reporting date was as follow:

Item	Carrying Value	
	December 31, 2020	December 31, 2019
Fair value interest rate risk:		
Financial assets	\$ -	\$ -
Financial liabilities	(42,199)	(27,326)
Net	(\$42,199)	(\$27,326)
Cash flow interest rate risk:		
Financial assets	\$503,289	\$465,320
Financial liabilities	(870,000)	(905,000)
Net	(\$366,711)	(\$439,680)

(a) Sensitivity analysis of fair value interest rate risk tools

The Company does not classify any fixed-rate instruments as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In addition, the Company does not designate derivatives (interest rate swap) as hedge instruments under hedge accounting. Therefore, the change of interest rate at reporting date does not have influence on net income and other comprehensive income.

(b) Sensitivity analysis of cash flow interest rate risk tools

The Company's financial instruments with variable interest rate are those with floating-rate. If interest rate increases 1%, the net income will decrease \$3,667 thousand and \$4,397 thousand for the years ended December 31, 2020 and 2019, respectively.

B. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract leading to a financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivables, and from investing activities, primarily deposit and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business related credit risk

In order to maintain the credit quality of accounts receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed in the consideration of the relevant factors which may affects the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions.

b. Financial credit risk

The Company's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Company Treasury function. The Company only deals with creditworthy counterparties, banks, and government so that no significant credit risk was identified. In addition, the Company has no financial assets at amortized and investments in debt instruments at fair value through other comprehensive income.

(a) Credit concentration risk

As of December 31, 2020 and 2019, the Company's ten largest customers accounted for 49.29% and 51.63% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

The Company continuously evaluated customers' financial situation. To reduce major credit risk, the Company bought credit guarantee insurance, and asked customers to make payment in advance.

(b) Expected credit loss measurement

- i. Account receivables adopts a simplified approach, please refer to Note 6(3).
- ii. Identification basis for whether credit risk is significantly increased: None (the Company didn't hold debt instruments at amortized cost or at FVTOCI).

- c. Collaterals and other credit enhancement held to avoid credit risks from financial assets:

Related information of the maximum exposure to credit risk regarding financial assets recognized in the parent company only balance sheets, pledged collateral, master netting arrangements and other credit enhancement held by the Company as of December 31, 2020 and 2019: None.

C. Liquidity risk

- a. Liquidity risk management:

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

- b. Financial liabilities with repayment periods:

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

Non-derivative Financial Liabilities	December 31, 2020					Contract Cash Flow	Carrying Value
	Within 1 year	1-2 years	2-5 years	Over 5 years			
Short-term loans	\$350,000	\$ -	\$ -	\$ -		\$350,000	\$350,000
Accounts payable	773,102	-	-	-		773,102	773,102
Accounts payable - related parties	1,209,963	-	-	-		1,209,963	1,209,963
Other payables	312,007	-	-	-		312,007	312,007
Other payables - related parties	14,907	-	-	-		14,907	14,907
Long-term loans (Inclusive of current portion)	-	33,333	420,000	66,667		520,000	520,000
Lease liabilities	12,593	11,210	17,847	1,219		42,869	42,199
Guarantee deposits	449	-	-	-		449	449
Total	\$2,673,021	\$44,543	\$437,847	\$67,886		\$3,223,297	\$3,222,627

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$12,593	\$29,057	\$1,219	\$ -	\$ -	\$ -	\$42,869

Non-derivative Financial Liabilities	December 31, 2019					
	Within 1 year	1-2 years	2-5 years	Over 5 years	Contract Cash Flow	Carrying Value
Short-term loans	\$685,000	\$ -	\$ -	\$ -	\$685,000	\$685,000
Accounts payable	903,644	-	-	-	903,644	903,644
Accounts payable - related	1,125,993	-	-	-	1,125,993	1,125,993
Other payables	245,196	-	-	-	245,196	245,196
Other payables - related party	11,921	-	-	-	11,921	11,921
Long-term loans	-	220,000	-	-	220,000	220,000
(Inclusive of current portion)						
Lease liabilities	12,418	7,543	7,763	-	27,724	27,326
Guarantee deposits	756	-	-	-	756	756
Total	\$2,984,928	\$227,543	\$7,763	\$ -	\$3,220,234	\$3,219,836

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$12,418	\$15,306	\$ -	\$ -	\$ -	\$ -	\$27,724

The Company does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

2. Categories of financial instruments

The carrying values of financial assets and liabilities of the Company as of December 31, 2020 and 2019 were as follow:

Financial assets	December 31	
	2020	2019
Financial assets measured at amortized cost		
Cash and cash equivalents	\$491,384	\$465,806
Notes and accounts receivable (including related parties)	2,342,965	2,237,579
Other receivables (including related parties)	38,138	32,187
Other financial assets - current	12,313	-
Refundable deposits	2,448	2,682

Financial liabilities

Financial liabilities measured at amortized cost

Short-term loans	350,000	685,000
Notes and accounts payable (including related parties)	1,983,065	2,029,637
Other payables (including related parties)	326,914	257,117
Lease liabilities (including current and noncurrent)	42,199	27,326
Long-term loans	520,000	220,000
Guarantee deposits	449	756

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(3). Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).

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

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investments in government bonds, corporate bonds, financial debentures, convertible bonds, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investments in some derivative instruments and equity instruments without active market is included in Level 3.

C. Financial instruments that are not measured at fair value

The Company considers that the carrying amounts of financial instruments including cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables, long-term loans and guarantee deposits that are not measured at fair value approximate their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level: None.

E. Valuation techniques of financial instruments valued at fair value

- (a) The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Center Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when the bid-ask spread is increasing; or the bid-ask spread varies significantly; or there has been a significant decline in trading volume.

- (b) Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

When the financial instrument of the Company is not traded in an active market, the fair value is determined based on the ratio of the quoted market price of the comparative company, its book value per share and its operating situation. Also, the fair value is discounted for its lack of liquidity in the market.

F. Transfer between Level 1 and Level 2: None.

G. Changes in Level 3 instruments: None.

H. Valuation process for Level 3 fair value measurement:

Valuation process regarding fair value Level 3 is conducted by the Group's finance department, by which the independence of fair value of financial instruments is verified through use of independent data source in order to make the valuation results close to market conditions. Such valuation results are regularly reviewed so as to ensure their reasonableness.

(4) Transfer of financial assets: None.

(5) Offset of financial assets and liabilities: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided: Table 1

B. Endorsement/guarantee provided: Table 2

C. Marketable securities held: Table 3

D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4

E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5

F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None

G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6

H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7

I. Information about the derivative financial instruments transaction: None.

(2) Information on investees: Table 8

(3) Information on investments in Mainland China: Table 9

(4) Information on major shareholders (including name of the shareholders with shareholding above 5%, shares held and shareholding ratio): Table 10

Table 1

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

LOANS PROVIDED TO OTHER PARTIES

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance (Note 4)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	Sunon Electronic (kunshan) Co., Ltd.	Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Other receivables - related parties	Yes	13,094 (RMB3,000)	13,094 (RMB3,000)	—	4.35%	2	—	Operating capital	—	—	—	146,016	292,032

Note 1: Financing limits for each borrowing company:

(1) For trading partner:

Shall not be higher than the purchase or sales amount of the most recent year.

(2) For short-term financing:

Shall not exceed 10% of the Company's net worth.

Note 2: The maximum balance of financing activities:

(1) For trading partner:

Shall not exceed 20% of the Company's net worth

(2) For short-term financing:

Shall not exceed 20% of the Company's net worth

(3) The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows:

The maximum amount for total loan for individual enterprise shall not exceed 50% of its net worth. °

Note 3: The code represents the nature of financing activities as follows:

(1) Related to trading partner is "1".

(2) Short-term financing is "2".

Note 4: The maximum amount was approved by the Board of Directors' meeting.

Table 2

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No. (Note 1)	Endorsers	Endorseees		Endorsement Limit for a Single Entity (Note 3)	Highest Balance During the Period	Ending Balance	Actual Amount Drawn	Balance Secured by Collaterals	Ratio of Accumulated Amount to net Worth of the Company	Maximum Amount of Endorsement (Note 4)	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Party in Mainland China
		Name of endorseees	Relationship (Note 2)										
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd	2	1,378,239	NTD 256,320 (USD 9,000)	NTD 170,880 (USD 6,000)	—	—	3.72%	2,297,065	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Foshan) Co., Ltd	2	1,378,239	NTD 170,880 (USD 6,000)	NTD 170,880 (USD 6,000)	—	—	3.72%	2,297,065	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd	2	1,378,239	NTD 227,840 (USD 8,000)	NTD 227,840 (USD 8,000)	NTD 227,840 (USD 8,000)	—	4.96%	2,297,065	Y	N	Y

Note 1: The description of the number column is as follows:

- (1) The issuer is represented in 0.
- (2) The investee company is numbered sequentially from Arabic numeral 1.

Note 2: The following code represents the relationship with the Company :

1. Trading partner.
2. Majority owned subsidiary
3. The Company direct and indirect owns over 50% ownership of the investee company.
4. A subsidiary jointly owned over 90% by the Company.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
7. Joint and several guaranteed by the Company according to the pre-construction contract under Consumer protection Act.

Note 3: Endorsements/guarantees provided by the Company to a single enterprise and a single foreign affiliate shall not exceed 20% and 30% of the Company's net worth, respectively.

Note 4: The maximum amount of the endorsements/guarantees provided by the Company shall not exceed 50% of the Company's net worth.

Table 3

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.**MARKETABLE SECURITIES HELD****DECEMBER 31, 2020**

(Amounts in Thousands of New Taiwan Dollars)

Investor	Type and Name of Securities	Relationship with the Issuer	General Ledger Account	Ending balance				Remarks
				Number of Shares (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Sunon Electronic (Foshan) Co., Ltd.	Fund - China Resources Yuanda Fund	None	Financial assets at fair value through profit or loss	—	263,010	—	263,010	
Sunon Electronic (Bei Hai) Co., Ltd.	Fund - China Resources Yuanda Fund	None	Financial assets at fair value through profit or loss	—	149,355	—	149,355	

Table 4

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST

NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Relationship with the Investor	Beginning Balance		Addition (Note)		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Value	Gain (loss) on Disposal	Shares	Amount
Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Properties Philippines Corp.	Investments accounted for using equity method	Cash Capital Increase	Subsidiary	—	—	—	414,623 (PHP699,314) (Note 1)	—	—	—	—	—	414,623 (PHP699,314)
Sunon Electronic (Foshan) Co., Ltd.	China Resources Yuanda Fund	Financial assets at fair value through profit or loss	China Resources Yuanda Fund Management Co., Ltd.	None	—	64,910 (RMB 15,104)	—	325,989 (RMB 75,022) (Note 2)	—	129,904 (RMB 30,340)	127,889 (RMB 29,869)	2,015 (RMB 471)	—	263,010 (RMB 60,257)
Sunon Electronic (Bei Hai) Co., Ltd.	China Resources Yuanda Fund	Financial assets at fair value through profit or loss	China Resources Yuanda Fund Management Co., Ltd.	None	—	63,881 (RMB 14,865)	—	529,273 (RMB123,006) (Note 2)	—	445,021 (RMB103,938)	443,799 (RMB103,653)	1,222 (RMB 285)	—	149,355 (RMB 34,218)

(Note 1): Including cash capital increase \$430,000 thousand, investment loss accounted for using equity method of (\$4,448) thousand, and the exchange rate impact of (\$10,929) thousand.

(Note2): Including current purchase of \$847,757 thousand, net profit of financial assets at fair value through profit or loss of \$121 thousand and the exchange rate impact of \$7,384 thousand.

Table 5

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

Acquisition of individual Real Estate Properties at Costs of At Least NT\$300 Million or 20% of the Paid-in Capital
YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Real Estate	Transaction Date	Transaction Amount	Payment Term	Counterparty	Relationship with the Seller	Prior transaction of related counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Sunon Properties Philippines Corp.	Lot 1 Block 12, Hermosa Ecozone Industrial Park	September 2, 2020	NTD 410,992 (PHP 685,480)	NTD 410,992 (PHP 685,480)	Hermosa Ecozone Development Corporation	None	—	—	—	—	Determined at prices agreedon by both parties upon negotiation or through price comparison with reference to appraisal reports issued by professional appraisal institutions.	Constraction of the plant	—

Table 6

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Company Name Related Party		Nature of Relationships	Transaction Details				Abnormal Transaction		(Notes/Accounts Payable) Or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	Sub-subsidiary	Sales	3,292	0.04%	3 to 4 months	—	—	1,194	0.05%	
			Purchases	1,876,694	31.44%	2 to 3 months	—	—	(536,800)	27.07%	
	Sunon Electronic (Foshan) Co., Ltd.	Sub-subsidiary	Sales	45,997	0.53%	3 to 4 months	—	—	21,723	0.93%	
			Purchases	36,844	0.62%	2 to 3 months	—	—	(140,843)	7.10%	
			Outsourcing processing fee	867,983	80.31%	2 to 3 months					
	Sunon Electronic (Bei Hai) Co., Ltd.	Sub-subsidiary	Sales	316,106	3.67%	3 to 4 months	—	—	240,671	10.30%	
			Purchases	1,809,172	30.31%	2 to 3 months	(Note)	(Note)	(532,309)	26.84%	
	Sunon INC	Subsidiary	Sales	397,738	4.62%	2 to 3 months	—	—	78,412	3.36%	
	Sunon SAS	Subsidiary	Sales	432,822	5.03%	2 to 3 months	—	—	188,555	8.07%	
			Purchases	303	0.01%	2 to 3 months	—	—	(11)	—	

Note : It is the transaction that undertakes the transfer of the Company, so it is based on the order price of the Company, and the payment period is 2-3 months.

Table 7

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollar and Foreign Currencies)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue		Amounts Received in Subsequent Period (Note1)	Allowance for Bad Debts
					Amount	Action Taken		
Sunonwealth Electric Machine Industry Co., Ltd.	SUNON SAS	Subsidiary	188,555	2.49	—	—	NTD 135,704	—
Sunonwealth Electric Machine Industry Co., Ltd.	Sunson Electronic (Bei Hai) Co., Ltd.	Subsidiary	240,671	4.24	—	—	NTD 110,833	—
Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	The ultimate parent company	NTD 538,034 (RMB 123,266)	3.91	—	—	NTD 323,542 (RMB 74,125)	—
Sunon Electronic (Foshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	The ultimate parent company	NTD 140,843 (RMB 32,268)	4.05	—	—	NTD 89,367 (RMB 20,475)	—
Sunon Electronic (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	The ultimate parent company	NTD 532,307 (RMB 121,955)	4.70	—	—	NTD 513,106 (RMB 117,555)	—

Note: Amounts collected as of March 11, 2021.

Table 8

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.**NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEE COMPANIES (EXCLUDING INVESTEE IN MAINLAND)**

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2020	As of December 31, 2019	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Sunonwealth Electric Machine Industry Co., Ltd.	Successful Century Co., Ltd.	British Virgin Islands	Investments	1,136,933	1,136,933	33,880	100.00%	1,433,968	321,764	312,544	—
	BVI Sunon International Limited	British Virgin Islands	Investments	1,035,677	1,035,677	—	100.00%	1,378,591	152,673	163,163	—
	Sunon INC	USA	Manufacturing and sales of fans	49,140	49,140	150	100.00%	91,086	20,529	21,210	—
	Sunon SAS	France	Manufacturing and sales of fans	16,127	16,127	50	100.00%	69,955	(1,577)	(2,191)	—
	Sunonwealth Electric Machine Ind.(H.K.) Ltd.	Hong Kong	Manufacturing and sales of fans	3,428	3,428	800	99.99%	1,852	(49)	(49)	—
	Sunon Corporation	Japan	Manufacturing and sales of fans	4,470	4,470	4	100.00%	2,353	(72)	(72)	—
	Sunon Electronics India Private Limited	India	Manufacturing and sales of fans	4,880	4,880	1,100	99.99%	2,157	(1,605)	(1,605)	—
	Sunon Electorronics Philippines Corp.	Philippine	Manufacturing and sales of fans	6,110	—	102	99.99%	5,614	(443)	(443)	—
	Sunon Properties Philippines Corp.	Philippine	Real estate development and investment	430,000	—	7,068	99.99%	414,623	(4,448)	(4,448)	—
			Total					3,400,199	486,772	488,109	

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2020	As of December 31, 2019	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Successful Century Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	China	Manufacturing and selling of fans	NTD1,136,276 (USD 34,000)	NTD1,136,276 (USD 34,000)	—	100.00%	NTD1,460,170 (USD 51,270)	NTD 321,770 (USD 10,895)	NTD 321,770 (USD 10,895)	—
Sunon Electronic (Kunshan) Co., Ltd.	Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	China	Manufacturing and selling of cooling equipment	NTD 12,819 (RMB 3,000)	—	—	35.00%	NTD 11,276 (RMB 2,583)	NTD -6,040 (RMB -1,411)	NTD -1,784 (RMB -417)	
BVI Sunon International Limited	Sunon Electronic (Foshan) Co., Ltd.	China	Manufacturing and selling of fans	NTD 765,207 (RMB166,171)	NTD 765,207 (RMB166,171)	—	100.00%	NTD 962,675 (RMB220,554)	NTD 114,795 (RMB 26,811)	NTD 114,795 (RMB 26,811)	—
	Sunon Electronic (Bei Hai) Co., Ltd.	China	Manufacturing and selling of new type electronic parts	NTD 293,115 (RMB63,732)	NTD 293,115 (RMB63,732)	—	100.00%	NTD 455,690 (RMB104,401)	NTD 38,024 (RMB 8,881)	NTD 38,024 (RMB 8,881)	—
Sunon SAS	Sunon Deutschland GmbH	Germany	Sales of fans	NTD 1,027 (EUR 25)	NTD 1,027 (EUR 25)	—	100.00%	NTD 5,093 (EUR 145)	NTD -769 (EUR -23)	NTD -769 (EUR -23)	—

Table 9

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2020

(1) Mainland Investment Information:

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profit/Loss (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Sunon Electronic (Kunshan) Co., Ltd.	Manufacturing and selling of fans	NTD1,136,276 (USD 34,000)	(2)	NTD1,136,673 (USD33,880)	—	—	NTD1,136,673 (USD 33,880)	NTD 321,770 (USD 10,895)	100%	NTD 321,770 (USD 10,895) (2).B	NTD 1,460,170 (USD 51,270)	NTD 384,603 (USD 12,894)
Sunon Electronic (Foshan) Co., Ltd.	Manufacturing and selling of fans	NTD 765,207 (USD 23,660)	(2)	NTD 743,663 (USD22,840)	—	—	NTD 743,663 (USD 22,840)	NTD 114,795 (RMB 26,811)	100%	NTD 114,795 (RMB 26,811) (2).B	NTD 962,675 (RMB 220,554)	NTD 622,508 (USD 20,474)
Sunon Electronic (Bei Hai) Co., Ltd.	Manufacturing and selling of new type electronic parts	NTD 293,115 (USD 10,000)	(2)	NTD 293,115 (USD10,000)	—	—	NTD 293,115 (USD 10,000)	NTD 38,024 (RMB 8,881)	100%	NTD 38,024 (RMB 8,881) (2).B	NTD 455,690 (RMB 104,401)	NTD 549,672 (USD 17,836)
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Manufacturing and selling of cooling equipment	NTD 32,870 (RMB 7,692)	(3)	— (Note 5)	—	—	— (Note 5)	NTD -6,040 (RMB -1,411)	35%	NTD -1,784 (RMB -417) (2).A	NTD 11,276 (RMB 2,583)	—

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 1,136,673 (USD 33,880) NTD 743,663 (USD 22,840) NTD 293,115 (USD 10,000)	USD 34,000 USD 23,660 USD 10,000	(Note 4)

Note: Gain and loss on investment are translated using average exchange rates for the year ended December 31, 2020 (USD:NTD 1:29.533; CYN:NTD 1:4.2816). Additions and ending balance are translated using the exchange rates as at December 31, 2020 (USD:NTD 1:28.48; CYN:NTD 1:4.3648)

Note 1: The investment methods are divided into the following three types:

- (1) Investing directly to the Mainland China;
- (2) Reinvesting in the Mainland China through third-region companies (please refer to Table 8);
- (3) Others.

Note 2: In the current period, the investment profit and loss column is recognized:

- (1) If during incorporation with no investment income or loss, it should be indicated;
- (2) The basis for recognition of investment gains and losses divided into the following three types, which should be indicated:
 - A. Audited financial statements by international accounting firms with cooperation relationship with accounting firms in the Republic of China.
 - B. Audited financial statements by parent company's auditors.
 - C. Others.

Note 3: The relevant figures in this form should be listed in New Taiwan Dollars.

(2)The Company's major transactions during year 2020 directly or indirectly through the third place and the mainland invested company are listed as follows:

Investee Company	Sales/ Purchases	Sales/ Purchases		Transaction Terms			(Notes/Accounts Payable) Or Receivables	
		Amount	%	Price	Payment Terms	Comparison with general transactions	Ending Balance	% to Total
Sunon Electronic (Kunshan) Co., Ltd.	Sales	3,292	0.04%	Cost based	3-4 months	Equivalent to sales price with ordinary clients	1,194	0.05%
	Purchases	1,876,694	31.44%	Cost based	2-3 months	Equivalent to purchase price with ordinary suppliers	(536,800)	27.07%
Sunon Electronic (Foshan) Co., Ltd.	Sales	45,997	0.53%	Cost based	3-4 months	Equivalent to sales price with ordinary clients	21,723	0.93%
	Purchases	36,844	0.62%	Cost based	2-3 months	Equivalent to purchase price with ordinary suppliers	(140,843)	7.10%
	Outsourcing processing fee	867,983	80.31%	Add a certain margin based on cost	2-3 months	Equivalent to pricing of other processors		
Sunon Electronic (Bei Hai) Co., Ltd.	Sales	316,106	3.67%	Cost based	3-4 months	Equivalent to sales price with ordinary clients	240,671	10.30%
	Purchases	1,809,172	30.31%	According to the company's order price as the basis of pricing	2-3 months	According to the Company's order price as the basis of pricing	(532,309)	26.84%

Note 4: Enterprises approved by the Ministry of Economic Affairs as the operational headquarters are not subject to the amount or proportion.

Note 5: It is invested by Sunon Electronic (Kunshan) Co., Ltd.

Table 10

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.**INFORMATION ON MAJOR SHAREHOLDERS**

DECEMBER 31, 2020

(Unit: share)

Shares Name of Major Shareholder	Number of Shares	Percentage of Ownership (%)
Guang Sheng Investment Corporation	19,150,000	7.63%
Yo Yuan Investment Corporation	14,825,000	5.90%
Fu-Ing Hong Chen	14,670,000	5.84%

Note: The information of major shareholders is based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2020. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

14. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

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SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

(In Thousand of New Taiwan Dollars and Foreign Currencies)

Item	Description	Amount	Remark
Cash	Petty cash	\$320	NTD 80 RMB 6 USD 3 EUR 4
Subtotal		<u>\$320</u>	
Cash in banks	Checking accounts	\$88	
	Demand deposits	236,139	
	Foreign deposits	254,837	USD 8,040 JPY 29,239 HKD 100 EUR 407 RMB 723
Subtotal		<u>\$491,064</u>	
Total		<u><u>\$491,384</u></u>	

USD:NTD 1:28.48
 JPY:NTD 1:0.2763
 HKD:NTD 1:3.673
 EUR:NTD 1:35.02
 CNY:NTD 1:4.3648

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Client Name	Description	Amount	Remark
Company A	Note of trade receivable	\$12,979	
Company B	Note of trade receivable	1,414	
Company C	Note of trade receivable	1,295	
Others	Under 5%	656	
Total		\$16,344	
Less: Allowance for doubtful accounts		(24)	
Net		\$16,320	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Remark
Company A	Trade receivable	\$226,040	
Company B	Trade receivable	105,610	
Company C	Trade receivable	100,755	
Others	Under 5%	1,372,526	
Total		\$1,804,931	
Less: Allowance for doubtful accounts		(8,841)	
Net		\$1,796,090	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE - RELATED PARTIES
DECEMBER 31, 2020

		(In Thousands of New Taiwan Dollars)	
Client Name	Description	Amount	Remark
Sunon Electronic (Bei Hai) Co., Ltd.	Trade receivable	\$240,671	
Sunon SAS	Trade receivable	188,555	
Sunon INC	Trade receivable	78,412	
Others	Under 5%	22,917	
Total		\$530,555	
Less: Allowance for doubtful accounts		-	
Net		\$530,555	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Item	Description	Amount	Remark
Receivables	Sample and consumable sale, etc.	\$17,482	
Tax refund receivable	Business tax	1,270	
Sutotal		\$18,752	
Other receivables - related parties	Patent revenue	\$16,032	
Other receivables - related parties	Sample fee and mold fee, etc.	3,354	
Sutotal		\$19,386	
Total		\$38,138	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Remark
		Cost	Fair Value	
Raw materials	Copper tube/slug, ICR, etc.	\$187,995	\$187,653	
Supplies	Solder wire, Bar tin, Lubricant, etc.	3,647	3,604	
Work in process	Plastic frame, PCB, Bobbins, etc.	62,535	61,784	
Finished goods	Fans, etc.	362,830	419,883	
Total		\$617,007	\$672,924	
Less: Inventory allowance		(8,999)	-	
Net		\$608,008	\$672,924	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF PREPAYMENTS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Prepayment for purchases	Prepayment for purchases, etc.	\$178	
Prepaid expenses	Prepaid insurance, etc.	7,573	
Payment on behalf of others	Payment on behalf of others, etc.	2,507	
Other prepaid expenses	Overpaid sales tax, etc.	1,203	
Total		<u>\$11,461</u>	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Names	Balance, January 1, 2020		Increase in Investment		Decrease in Investment		Balance, December 31, 2020			Market Value or Net Assets Value		Collateral	Remark
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit Price	Total Amount		
Successful Century Co., Ltd.	33,880	\$1,283,200	-	\$330,826	-	\$180,058	33,880	100.00	1,433,968	43.10	1,460,225	Nil	
BVI Sunon International Limited	-	1,412,560	-	180,729	-	214,698	-	100.00	1,378,591	-	1,418,755	Nil	
Sunon INC	150	77,075	-	21,210	-	7,199	150	100.00	91,086	661.68	99,252	Nil	
Sunon SAS	50	67,024	-	5,121	-	2,190	50	100.00	69,955	1,602.34	80,117	Nil	
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	800	1,990	-	-	-	138	800	99.99	1,852	2.315	1,852	Nil	
Sunon Corporation	4	2,423	-	3	-	73	4	100.00	2,353	588.25	2,353	Nil	
Sunon Electronics India Private Limited	1,100	4,020	-	-	-	1,863	1,100	99.99	2,157	1.96	2,157	Nil	
Sunon Electronics Philippines Corp.	-	-	102	6,110	-	496	102	99.99	5,614	55.04	5,614	Nil	
Sunon Properties Philippines Corp.	-	-	7,068	430,000	-	15,377	7,068	99.99	414,623	58.66	414,623	Nil	
Total		<u>\$2,848,292</u>		<u>\$973,999</u>		<u>\$422,092</u>			<u>\$3,400,199</u>		<u>\$3,484,948</u>		

- Note: 1.It is calculated based on the audited financial statements for the same period, except the financial statements of Sunonwealth Electric Machine Ind. (H.K.)Ltd., Sunon Corporation and Sunon Electronics India Private Limited.
- 2.Current increase of \$973,999 thousand includes \$436,110 thousand of acquisition, \$496,918 thousand of share of profits of subsidiaries, associates and joint ventures, \$38,971 thousand of exchange difference arising on translation of foreign operations, and \$2,000 thousand of changes in unrealized inter-company gross profit.
- 3.Current decrease of \$422,092 thousand includes \$8,809 thousand of share of loss of subsidiaries, associates and joint ventures, \$390,056 thousand of cash dividends received, \$16,246 thousand of exchange difference arising on translation of foreign operations, and \$6,981 thousand of changes in unrealized inter-company gross profit.
- 4.The cost and valuation for using equity method are listed below:

Investee Company	Acquisition Cost	Share of Profit or Loss of Subsidiaries, associates and joint ventures	Exchange Differences Arising Translation of Foreign Operations	Others	Total
Successful Century Co., Ltd.	\$1,136,933	\$303,168	(\$104,548)	\$98,415	\$1,433,968
BVI Sunon International Limited	1,035,677	399,688	(132,284)	75,510	1,378,591
Sunon INC	49,140	74,390	(12,326)	(20,118)	91,086
Sunon SAS	16,127	82,015	(11,152)	(17,035)	69,955
Sunonwealth Electric Machine Ind. (H.K.) Ltd.	3,428	(58)	(687)	(831)	1,852
Sunon Corporation	4,470	(4,995)	(534)	3,412	2,353
Sunon Electronics India Private Limited	4,880	(2,238)	(485)	-	2,157
Sunon Electronics Philippines Corp.	6,110	(443)	(53)	-	5,614
Sunon Properties Philippines Corp.	430,000	(4,448)	(10,929)	-	414,623
Total	<u>\$2,686,765</u>	<u>\$847,079</u>	<u>(\$272,998)</u>	<u>\$139,353</u>	<u>\$3,400,199</u>

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF REFUNDABLE DEPOSITS
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Item	Description	Amount	Remark
Refundable deposits	Building and company car rental deposits, etc.	\$2,448	
Total		<u>\$2,448</u>	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)							
Creditor	Description	Ending Balance	Contract Period	Loan Commitments		Collateral	Remark
The Export - Import Bank of the Republic of China - Kaoshiung Branch	Unsecured loans	\$200,000	2020.01.10-2021.02.26	NTD 200,000		Nil	
HSBC - Kaohsiung Branch	Unsecured loans	100,000	2020.12.31-2021.06.29	USD 5,500	(Note)	Nil	
Bank of Taiwan - Chienchen Branch	Unsecured loans	50,000	2020.12.31-2021.01.29	NTD 200,000	(Note)	Nil	
				USD 650			
Total		\$350,000					
Range of Interest Rates (%)		0.55%-0.80%					

(Note): It is comprehensive commitments.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF CONTRACT LIABILITIES - CURRENT
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Client Name	Description	Amount	Remark
Company A	Unearned sales revenue	\$6,075	
Company B	Unearned sales revenue	5,083	
Company C	Unearned sales revenue	4,310	
Company D	Unearned sales revenue	3,164	
Company E	Unearned sales revenue	2,878	
Others	Under 5%	16,266	
Total		<u>\$37,776</u>	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Vendor Name	Description	Amount	Remark
Company A	Trade payable	\$54,971	
Company B	Trade payable	51,053	
Others	Under 5%	667,051	
Subtotal		\$773,075	
Notes payable	Accrued expenses	\$27	
Total		\$773,102	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF ACCOUNTS PAYABLES - RELATED PARTIES
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Vendor Name	Description	Amount	Remark
Sunon Electronic (Kushan) Co., Ltd.	Trade payable	\$536,800	
Sunon Electronic (Bei Hai) Co., Ltd.	Trade payable	532,309	
Sunon Electronic (Foshan) Co., Ltd.	Trade payable and processing fee	140,843	
Others	Under 5%	11	
Total		<u>\$1,209,963</u>	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF LONG-TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)					
Creditor	Description	Amount	Contract Period	Range of interest rate	Collateral
The Export - Import Bank of the Republic of china - Kaohsiung Branch	Unsecured Loans	\$300,000	2020.09.23-2026.09.23	0.81%	Nil
CTBS Bank - Kaohsiung Branch	Secured Loan	220,000	2020.02.12-2025.02.12	1.17%	Land
Total		<u>\$520,000</u>			
Current portion of long-term loans		<u>-</u>			
Balance, End of Year		<u><u>\$520,000</u></u>			

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF GUARANTEE DEPOSITS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Item	Description	Amount	Remark
Guaratee Deposits	Building lease deposits, etc.	\$449	
Total		\$449	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.

STATEMENT OF NET REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)			
Item	Quantity (in thousands)	Amount	Remark
DC fan	77,439	\$7,198,321	
AC fan	5,473	661,994	
Sales of raw materials, etc.		824,521	
Total revenue		\$8,684,836	
Less : Sales return	280	(29,897)	
Sales discount		(43,189)	
Net revenue		\$8,611,750	

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials at January 1, 2020	\$219,290
Add: Raw materials purchased	2,010,701
Less: Raw materials at December 31, 2020	(187,995)
Raw materials sold	(206,522)
Loss on physical count	(526)
Transfer to operating expenses	(12,214)
Scrapped raw materials	(20,814)
Raw materials used	<u>\$1,801,920</u>
Supplies at January 1, 2020	\$6,516
Add: Supplies purchased	47,525
Gain on physical count	56
Less: Supplies at December 31, 2020	(3,647)
Supplies sold	(4,599)
Transfer to operating expenses	(34,864)
Scrapped supplies	(81)
Supplies used	<u>\$10,906</u>
Direct labor	14,925
Factory overhead	<u>59,193</u>
Manufacturing cost	\$1,886,944
Add: Work in process at January 1 2020	103,725
Work in process purchased	251,710
Outsource processing	1,080,850
Less: Work in process at December 31, 2020	(62,535)
Work in process sold	(580,553)
Loss on physical count	(195)
Transfer to operating expenses	(10,373)
Scrapped work in process	(2,916)
Cost of finished goods	<u>\$2,666,657</u>
Add: Finished goods at January 1 2020	470,791
Finished goods purchased	4,113,272
Less: Finished goods at December 31, 2020	(362,830)
Transfer to operating expenses	(1,956)
Scrapped finished goods	(22,254)
Cost of finished goods sold	<u>\$6,863,680</u>

Item	Amount
Adjustment items of cost	
Impairment loss on inventories	(17,397)
Loss on physical count	665
Others	(408,320)
Unallocated factory overhead	46,400
Cost of product	\$6,485,028
Work in process sold	580,553
Raw material sold	206,522
Supplies sold	4,599
Total cost of revenue	<u>\$7,276,702</u>

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF FACTORY OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Indirect labor	\$26,072
Depreciation expense	12,881
Consumables	42,698
Import expense	6,856
Others (Note)	17,085
Unallocated manufacturing expenses	(46,399)
Total	<u>\$59,193</u>

Note: The amount of each item does not exceed 5% of the account balance.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF SALES AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)	
Item	Amount
Salary and wages	\$99,103
Commission	80,491
Others (Note)	88,963
Total	<u>\$268,557</u>

Note: The amount of each item does not exceed 5% of the account balance.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF GERNERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)	
Item	Amount
Salary and wages	\$173,644
Professional service fees	33,172
Depreciation expense	14,304
Others (Note)	58,297
Total	<u>\$279,417</u>

Note: The amount of each item does not exceed 5% of the account balance.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)	
Item	Amount
Salary and wages	\$232,847
Research and derelopment expense	81,380
Depreciation expense	38,954
Others (Note)	129,180
Total	<u>\$482,361</u>

Note: The amount of each item does not exceed 5% of the account balance.