

English Translation of a Report and Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

**PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

WITH

INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE

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The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompany parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of 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 Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 parent company only financial statements. 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, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT\$23,344,758 thousand as net sales. Their main activities are providing testing and assembly services that represented 84%, or NT\$19,666,024 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the financial statements.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of the 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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate King Yuan Electronics Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 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 financial statements.

As part of an audit in accordance with 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 internal control of King Yuan Electronics Co., Ltd.

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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. 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 accompanying notes, 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 parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 12, 2021

Notice to Readers

- The accompanying parent company only financial statements are intended only to present the financial position, results of operations 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.
- Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2020	%	December 31, 2019	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$5,110,784	10	\$4,155,945	8
Financial assets at fair value through other comprehensive income-current	4, 6(2)	-	-	30,114	-
Contract assets-current	4, 6(15), 6(16), 7	202,972	-	126,182	-
Notes receivable, net	4, 6(3), 6(16)	3,049	-	4,268	-
Accounts receivable, net	4, 6(4), 6(16)	3,127,686	6	3,730,901	8
Accounts receivable from related parties, net	4, 6(4), 6(16), 7	1,749,678	3	886,172	2
Other receivables	4, 6(16)	94,551	-	160,100	-
Other receivables from related parties	4, 7	111,918	-	821,474	2
Inventories, net	4, 6(5)	774,144	2	907,842	2
Prepayments	6(6)	125,241	-	204,787	-
Other current assets		51,843	-	76,944	-
Total current assets		11,351,866	21	11,104,729	22
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	4,446,563	8	2,425,166	5
Investments accounted for using the equity method	4, 6(7)	6,148,166	11	4,891,194	10
Property, plant and equipment	4, 6(8), 6(19), 7, 8	31,370,700	58	30,379,042	60
Right-of-use asset	4, 6(17)	1,191,431	2	1,228,619	3
Intangible assets	4, 6(9), 6(10)	80,159	-	66,148	-
Deferred tax assets	4, 6(21)	227,623	-	229,882	-
Other financial assets-non-current	8	115,669	-	113,125	-
Other non-current assets		3,497	-	3,487	-
Total non-current assets		43,583,808	79	39,336,663	78
Total assets		\$54,935,674	100	\$50,441,392	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2020	%	December 31, 2019	%
Current liabilities					
Contract liabilities-current	4, 6(15)	\$11,590	-	\$52,486	-
Notes payable		4,435	-	1,633	-
Accounts payable		790,394	1	775,500	1
Accounts payable to related parties	7	19,487	-	31,337	-
Other payables		2,623,108	4	2,755,371	5
Other payables to related parties	7	306,083	1	119,005	-
Payables on equipment		494,636	1	797,050	2
Current tax liabilities	4, 6(21)	394,417	1	666,224	1
Lease liabilities-current	4, 6(17)	304,358	1	788,269	2
Other current liabilities	4, 6(11)	578,740	1	303,650	1
Total current liabilities		<u>5,527,248</u>	<u>10</u>	<u>6,290,525</u>	<u>12</u>
Non-current liabilities					
Long-term loans	4, 6(12), 6(19), 8	18,318,298	34	16,944,660	34
Deferred tax liabilities	4, 6(21)	667,968	1	39,921	-
Lease liabilities-non-current	4, 6(17)	533,878	1	444,245	1
Net defined benefit liabilities	4, 6(13)	566,456	1	528,169	1
Guarantee deposits		2,755	-	1,933	-
Total non-current liabilities		<u>20,089,355</u>	<u>37</u>	<u>17,958,928</u>	<u>36</u>
Total liabilities		<u>25,616,603</u>	<u>47</u>	<u>24,249,453</u>	<u>48</u>
Equity					
Share capital	4, 6(14)				
Common stock		12,227,451	22	12,227,451	24
Capital surplus	4, 6(14)	4,588,172	9	4,832,721	10
Retained earnings	4, 6(2), 6(14)				
Legal reserve		2,656,958	5	2,359,299	5
Special reserve		402,406	1	803,172	1
Undistributed earnings		8,147,631	14	6,371,702	13
Total retained earnings		<u>11,206,995</u>	<u>20</u>	<u>9,534,173</u>	<u>19</u>
Other equity	4, 6(14)	1,296,453	2	(402,406)	(1)
Total equity		<u>29,319,071</u>	<u>53</u>	<u>26,191,939</u>	<u>52</u>
Total liabilities and equity		<u>\$54,935,674</u>	<u>100</u>	<u>\$50,441,392</u>	<u>100</u>

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

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2020	%	2019	%
Net sales	4, 6(15), 7	\$23,344,758	100	\$21,845,844	100
Operating costs	4, 6(5), 6(8), 6(9), 6(18), 7	(17,280,780)	(74)	(16,109,256)	(74)
Gross profit		6,063,978	26	5,736,588	26
	4, 6(8), 6(9), 6(16), 6(18), 7				
Operating expenses					
Selling expenses		(359,004)	(1)	(389,162)	(2)
Administrative expenses		(1,386,381)	(6)	(1,211,019)	(5)
Research and development expenses		(909,932)	(4)	(879,068)	(4)
Expected credit losses		(2,857)	-	(20,000)	-
Total operating expenses		(2,658,174)	(11)	(2,499,249)	(11)
Operating income		3,405,804	15	3,237,339	15
Non-operating income and expenses	4, 6(7), 6(8), 6(10), 6(19), 7				
Interest income		7,424	-	7,085	-
Other income		177,060	1	108,689	-
Other gains and losses		(164,770)	(1)	36,200	-
Finance costs		(217,585)	(1)	(239,659)	(1)
Share of profit of associates accounted for using the equity method		1,159,434	5	665,457	3
Total non-operating income and expenses		961,563	4	577,772	2
Net income before income tax		4,367,367	19	3,815,111	17
Income tax expense	4, 6(21)	(730,714)	(3)	(773,545)	(3)
Net income		3,636,653	16	3,041,566	14
Other comprehensive income	4, 6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(45,906)	-	(57,525)	-
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income		2,056,310	9	687,206	3
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(403,570)	(2)	(136,555)	(1)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		105,726	-	(186,862)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(21,145)	-	37,373	-
Other comprehensive income, net of tax		1,691,415	7	343,637	1
Total comprehensive income		\$5,328,068	23	\$3,385,203	15
Earnings per share(NT\$)	4, 6(22)				
Basic Earnings Per Share		\$2.97		\$2.49	
Diluted Earnings Per Share		\$2.94		\$2.47	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity		Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	
Balance as of January 1, 2019	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$24,477,111
Appropriation and distribution of 2018 earnings :								
Legal reserve	-	-	179,534	-	(179,534)	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	3,041,566
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	343,637
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	3,385,203
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	(19,669)
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-
Balance as of December 31, 2019	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$39,211	\$26,191,939
Balance as of January 1, 2020	\$12,227,451	\$4,832,721	\$2,359,299	\$803,172	\$6,371,702	\$(441,617)	\$39,211	\$26,191,939
Appropriation and distribution of 2019 earnings :								
Legal reserve	-	-	297,659	-	(297,659)	-	-	-
Cash dividends	-	(244,549)	-	-	(1,956,392)	-	-	(2,200,941)
Reversal of special reserve	-	-	-	(400,766)	400,766	-	-	-
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	3,636,653
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	5
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	38,462	-	(38,462)	-
Balance as of December 31, 2020	\$12,227,451	\$4,588,172	\$2,656,958	\$402,406	\$8,147,631	\$(357,036)	\$1,653,489	\$29,319,071

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	2020	2019	Description	2020	2019
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$4,367,367	\$3,815,111	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$65,027	\$-
Adjustments for:			Proceeds from capital return of financial assets at fair value through other comprehensive income	-	395
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	-	101,885
Depreciation	6,809,397	6,287,857	Acquisition of investments accounted for using the equity method	-	(37,070)
Amortization	49,887	85,293	Proceeds from capital return of investments accounted for using the equity method	-	370,891
Expected credit losses	2,857	20,000	Acquisition of property, plant and equipment	(8,182,159)	(8,931,451)
Gains on financial assets and liabilities at fair value through profit or loss	-	(424)	Proceeds from disposal of property, plant and equipment	840,968	308,133
Interest expenses	217,585	239,659	Increase in refundable deposits	(10)	-
Interest income	(7,424)	(7,085)	Acquisition of intangible assets	(63,898)	(24,736)
Dividend income	(50,966)	(38,398)	Increase in other financial assets	(2,544)	(3,213)
Investment gain accounted for using the equity method	(1,159,434)	(665,457)	Dividend received	64,076	49,858
Gain on disposal of property, plant and equipment	(46,075)	(73,578)	Net cash used in investing activities	<u>(7,278,540)</u>	<u>(8,165,308)</u>
Impairment of non-financial assets	153,955	91,181			
Unrealized foreign exchange gain	(78,024)	(91,315)	Cash flows from financing activities :		
Changes in operating assets and liabilities :			Borrowing in long-term loans	26,184,895	18,179,500
Contract assets	(76,790)	163,245	Repayments of long-term loans	(24,750,701)	(17,783,548)
Notes receivable	1,219	9,576	Increase in guarantee deposits	822	360
Accounts receivable	623,507	149,913	Cash payments for the principal portion of the lease liabilities	(505,826)	(13,347)
Accounts receivable from related parties	(863,506)	(133,554)	Cash dividends	(2,200,941)	(1,650,706)
Other receivables	45,210	(40,208)	Interest paid	<u>(209,644)</u>	<u>(227,391)</u>
Other receivables from related parties	261,002	(303,220)	Net cash used in financing activities	<u>(1,481,395)</u>	<u>(1,495,132)</u>
Inventories	133,698	54,773			
Prepayments	19,270	97,163	Net increase in cash and cash equivalents	954,839	268,944
Other current assets	25,101	113,811	Cash and cash equivalents at the beginning of the year	4,155,945	3,887,001
Contract liabilities	(40,896)	(32,348)	Cash and cash equivalents at the end of the year	<u>\$5,110,784</u>	<u>\$4,155,945</u>
Notes payable	2,802	(37,879)			
Accounts payable	14,894	(168,604)			
Accounts payable to related parties	(11,850)	18,946			
Other payables	(127,589)	625,404			
Other payables to related parties	(28,361)	7,698			
Other current liabilities	275,090	25,329			
Accrued pension liabilities	(7,619)	(10,926)			
Cash generated from operating activities	<u>10,504,307</u>	<u>10,201,963</u>			
Interest received	7,397	7,259			
Income tax paid	(796,930)	(279,838)			
Net cash provided by operating activities	<u>9,714,774</u>	<u>9,929,384</u>			

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

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("the Company" or "KYEC") was incorporated under the Company Law of the Republic of China ("R.O.C) on May 28, 1987 and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of KYEC were listed on the Taiwan Stock Exchange. The Company's registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements of the Company were approved and authorized for issue by the Board of Directors on March 12, 2021.

3. Newly Issued or Revised Standards and Interpretations

(1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment described below, the remaining new standards and amendments had no material impact on the Company.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The Company elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) and its transitional requirements which are recognized by FSC for annual periods beginning on or after January 1, 2020. For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted for it as a variable lease payment. The amendment had no material impact on the Company.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

- A. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on companies’ financial statements:

- a. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- b. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- c. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below :

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
B	IFRS 17 “Insurance Contracts”	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
D	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
E	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
F	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

- A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

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IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- a. estimates of future cash flows;
- b. discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- c. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current – Amendment to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial Statements and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

a. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

b. Property, Plant and Equipment-Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

c. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

d. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

E. Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

F. Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

Basis of Preparation

The Company prepares the parent company only financial statements in accordance with the Regulations. According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial statements will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

Foreign currency transactions

The parent company only financial statements are presented in NT\$, which is also the Company’s functional currency.

Transactions in foreign currencies are initially recorded by the Company’s functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.
- C. exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjustment in “investments accounted for using the equity method”. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Current and non-current distinction

An asset is classified as current when:

- A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. the Company holds the asset primarily for the purpose of trading;
- C. the Company expects to realize the asset within twelve months after the reporting period; or
- D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Company expects to settle the liability in its normal operating cycle;
- B. the Company holds the liability primarily for the purpose of trading;
- C. the liability is due to be settled within twelve months after the reporting period; or
- D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

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

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 within the scope of IFRS 9 “Financial Instruments” 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.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. the Company's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- a. 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.

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- b. 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 applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (a) 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.
 - (b) 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 applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Besides, for certain equity investments within the scope of IFRS 9 that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- d. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- a. the rights to receive cash flows from the asset have expired.
- b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

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.

Equity instruments

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.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments”.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to type of hedges used.

When the host contracts are either non-financial assets or liabilities, derivative embedded in host contracts are accounted for as separate derivative and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designed at fair value though profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a. in the principal market for the asset or liability, or
- b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

According to Article 21 of the Regulations, the investments in subsidiaries will be disclosed under “investments accounted for using the equity method” and changes in value will be adjusted accordingly. The profit or loss and other comprehensive income presented in parent company only financial statements will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under “investments accounted for using equity method”, “share of profit of subsidiaries and associates accounted for using equity method” and “share of other comprehensive income of subsidiaries and associates accounted for using equity method”.

The Company's investment in its associates is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new shares, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". In determining the value in use of the investment, the Company estimates:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

- A. its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 “Impairment of Assets”.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, Plant and Equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	31 years
Plant equipment	5~16 years
Machinery and equipment	2~ 8 years
Transportation equipment	3~ 6 years
Office equipment	3~ 5 years
Right-of-use assets (Note)	6~ 28 years
Leased assets	3~11 years
Leasehold improvements	10 years

Note:

The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The Company assesses whether the contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset;
- and
- (b) the right to direct the use of the identified asset.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

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- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of consolidated comprehensive income statement.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

B. The Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

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For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A. Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. its intention to complete and its ability to use or sell the asset;
- c. how the asset will generate future economic benefits;
- d. the availability of resources to complete the asset; and
- e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3~5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, The Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Acquisitions of the shares of the Company (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasury shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on retirement of treasury shares should be offset against existing capital surplus from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The Company's revenues arising from contracts with customers are mainly rendering of processing services and rental of testing machinery. The accounting policies are explained as follows:

A. Rendering of services

The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company's performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volume discount), recognizes service revenues over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenue from rental of machinery

The Company provides rental services for testing machineries based on customers' demand. According to the contract, the Company provides tailored machineries to customers for testing purposes for a certain period of time. During the contract period, those machineries are for the contracted customers' use only, and will not be mixed with other testing machineries. Meanwhile, during the contract period, those machineries are still under control of the Company, the customer does not have the right to control over or to direct the right of use of the rented machineries. Usually, the unit price is fixed and is stated in the contract. Accordingly, the Company's performance obligations is satisfied over time and the Company recognizes revenues from rental of the machinery by rental hours or testing volume multiplied by the fixed unit price, or over the rental period on a straight line basis.

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The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, the Company recognizes trade receivables upon the completion of rental period. These trade receivables usually have short period and no significant financial component is arisen.

For some machinery rental contracts, prepayments are received from customers upon signing the contract, the Company then has the obligation to provide the services subsequently. Accordingly, these amounts are recognized as contract liabilities.

C. Sales of machinery

The Company manufactures and sells professional testing machinery. Those machineries must be tested for specifications according to the contract signed by both parties before being delivered to customers. The Company performs the specification test in accordance with the contract and issues a machinery inspection report to the customer. After the customer's confirmation that the operating data and function of the machineries have met the specification stated in the inspection report, the machinery can be delivered to the customer's designated location stated in the contract and the control of the machinery can be transferred. At this time, the customer has the right to determine the sales channels and price of those testing machineries, and has the ability to prevent other companies from directing the use and obtaining the benefits of these products. Thus, the Company recognizes the revenue generated from the sales of machineries.

Considering the fact that assisting customers for the machinery installation and providing safety guidance are not significant, so the Company issues an invoice with total consideration to the customer and recognizes the amount as trade receivables upon the delivery of the machinery. In addition, the period between the sales of machinery and the actual receipt of the payment is within one year, therefore, there is no significant financial component. The Company provides its customer with a warranty for refund for defectives products. Such warranty is accounted for in accordance with IAS 17 as liability provision.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period when they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholders' meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Determination of the useful lives for plant, property and equipment

The Company's determination of the useful lives is based on the expected utility and the experience on using similar property, plant and equipment in prior periods. Based on the Company's assets management policy, the Company may dispose certain assets after consuming the economic benefits of the asset to certain extent.

By considering the Company's previous experience as well as peer experience on using similar property, plant and equipment, on March 14, 2019, the Board of Directors approved to change the estimated useful lives of certain machinery equipment from 6 years to 8 years and certain second-handed machinery equipment from 3 years to 4 years effective from January 1, 2019. The change was aimed at reflecting more accurate useful lives, achieving more reasonable cost allocations, and providing more reliable and relevant information. The change of the accounting estimate decreased the depreciation expenses by NT\$932,897 thousands for the year ended December 31, 2019. For more information of depreciation, addition and disposal of property, plant and equipment, please refer to Note 6.

B. Recognition of right-of-use assets and lease liabilities

The Company considers the lease period of the leased assets and the lessee's incremental borrowing interest rate to determine the right-of-use assets and lease liabilities.

To determine the lease period, the Company considers all relevant facts and circumstances that may produce economic incentives to exercise or not to exercise the option to terminate the lease, including expected changes in all facts and conditions from the commencement date of the lease to the exercise date of the option. The main factors to consider include the contract terms and conditions for the period covered by the option and the materiality of the underlying asset to the lessee's operations. When changes of major events or circumstances that are within the control of the Company occur, the lease period is re-evaluated.

In determining a lessee's incremental borrowing rate used in discounting lease payments, the Company mainly takes into account the market risk-free rates, the estimated lessee's spread and secured status in a similar economic environment.

C. Fair value of Level 3 financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (11) for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Checking and savings accounts	\$4,520,784	\$4,065,945
Time deposits	590,000	90,000
Total	<u>\$5,110,784</u>	<u>\$4,155,945</u>

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

	December 31, 2020	December 31, 2019
Equity instrument investments measured at fair value through other comprehensive income- current		
Listed company's stocks	\$-	\$30,114
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	28,117	25,009
Unlisted company's stocks	4,418,446	2,400,157
Subtotal	<u>4,446,563</u>	<u>2,425,166</u>
Total	<u>\$4,446,563</u>	<u>\$2,455,280</u>

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended of 2020 and 2019 are as follows:

	For the years ended December 31,	
	2020	2019
Related to investments derecognized during the period	\$783	\$-
Related to investments held at the end of the reporting period	50,183	38,398
Dividends recognized during the period	<u>\$50,966</u>	<u>\$38,398</u>

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In consideration of disposition or liquidation of certain investments according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
The fair value of the investments at the date of derecognition	\$65,027	\$-
The cumulative gain on disposal	38,462	-

The Company received capital returns in the amount of NT\$0 thousand and NT\$395 thousand, respectively, from its equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019.

Financial assets at fair value through other comprehensive income were not pledged.

(3) Notes receivable

	December 31, 2020	December 31, 2019
Notes receivables from operating activities	\$3,049	\$4,268
Less: loss allowance	-	-
Total	\$3,049	\$4,268

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6.(16) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

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(4) Trade receivables and trade receivables from related parties

	December 31, 2020	December 31, 2019
Trade receivables	\$3,152,844	\$3,777,549
Less: loss allowance	(25,158)	(46,648)
Subtotal	<u>3,127,686</u>	<u>3,730,901</u>
Trade receivables from related parties	1,749,678	886,172
Less: loss allowance	-	-
Subtotal	<u>1,749,678</u>	<u>886,172</u>
Total	<u>\$4,877,364</u>	<u>\$4,617,073</u>

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. Please refer to Note 6.(16) for more details on loss allowance of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk.

(5) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$595,414	\$696,241
Work in progress	178,730	211,601
Finished goods	-	-
Total	<u>\$774,144</u>	<u>\$907,842</u>

The cost of inventories recognized in operating costs for the years ended December 31, 2020 and 2019 amounted to NT\$17,280,780 thousand and NT\$16,109,256 thousand, respectively, including the write-down of inventories of NT\$42,208 thousand and NT\$12,294 thousand, and scrap loss of NT\$3,931 thousand and NT\$3,510 thousand, respectively.

No inventories were pledged.

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(6) Prepayments

	December 31, 2020	December 31, 2019
Prepaid equipment	\$64,339	\$124,615
Input tax	41,245	49,030
Prepaid expenses	9,486	7,704
Others	10,171	23,438
Total	<u>\$125,241</u>	<u>\$204,787</u>

(7) Investments accounted for using the equity method

Investees	December 31, 2020		December 31, 2019	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
KYEC USA Corp.	\$12,035	100.00%	\$11,732	100.00%
KYEC Investment International Co., Ltd.	5,691,034	100.00%	4,518,785	100.00%
KYEC Technology Management Co., Ltd.	362,498	100.00%	287,967	100.00%
KYEC Japan K.K.	56,828	89.83%	52,497	89.83%
KYEC SINGAPORE PTE. LTD.	2,130	100.00%	2,024	100.00%
King Ding Precision Incorporated Company (King Ding)	69,962	100.00%	74,055	100.00%
Subtotal	<u>6,194,487</u>		<u>4,947,060</u>	
Investments in associates:				
Fixwell Technology Corp.	46,981	23.33%	45,305	23.33%
Wei Jiu Industrial Co., Ltd.	22,875	34.00%	19,923	34.00%
Subtotal	<u>69,856</u>		<u>65,228</u>	
Less: deferred credits	<u>(116,177)</u>		<u>(121,094)</u>	
Total	<u>\$6,148,166</u>		<u>\$4,891,194</u>	

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A. Investments in subsidiaries

Investments in subsidiaries are express as “Investments accounted for using the equity method” in the Company’s parent company only financial statements with necessary valuation adjustments.

No investments were pledged.

B. Investments in associates

The Company’s investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The summarized financial information of the Company’s ownership in those associates is as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net income	\$16,088	\$14,336
Other comprehensive income, net of tax	-	-
Total comprehensive income	<u>\$16,088</u>	<u>\$14,336</u>

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	<u>December 31,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
Owner occupied property, plant and equipment	\$30,896,867	\$30,244,365
Property, plant and equipment leased out under operating leases	473,833	134,677
Total	<u>\$31,370,700</u>	<u>\$30,379,042</u>

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A. Owner occupied property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	im
Cost:								
As of January 1, 2020	\$1,143,394	\$3,707,470	\$8,074,490	\$76,195,437	\$638,316	\$49,036	\$3,931,109	
Additions	2,880	37,596	413,804	6,737,966	65,028	2,485	375,860	
Disposals	-	-	(35,589)	(2,571,040)	(969)	-	(28,537)	
Transfers	-	(32,986)	-	(177,835)	-	-	-	
As of December 31, 2020	<u>\$1,146,274</u>	<u>\$3,712,080</u>	<u>\$8,452,705</u>	<u>\$80,184,528</u>	<u>\$702,375</u>	<u>\$51,521</u>	<u>\$4,278,432</u>	
As of January 1, 2019	\$1,143,394	\$3,754,438	\$7,817,632	\$72,241,656	\$613,182	\$43,730	\$3,744,120	
Additions	-	-	283,578	7,657,306	25,316	6,081	274,041	
Disposals	-	-	(26,720)	(3,686,787)	(182)	(775)	(87,052)	
Transfers	-	(46,968)	-	(16,738)	-	-	-	
As of December 31, 2019	<u>\$1,143,394</u>	<u>\$3,707,470</u>	<u>\$8,074,490</u>	<u>\$76,195,437</u>	<u>\$638,316</u>	<u>\$49,036</u>	<u>\$3,931,109</u>	

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	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Accumulated depreciations and impairment:										
As of January 1, 2020	\$-	\$1,374,762	\$5,644,417	\$54,110,172	\$552,640	\$32,918	\$2,989,691	\$2,064	\$-	\$64,706,664
Depreciation	-	120,057	421,629	5,738,076	31,805	6,141	275,399	443	-	6,593,550
Disposals	-	-	(35,589)	(2,217,001)	(969)	-	(28,537)	-	-	(2,282,096)
Transfers	-	(21,577)	-	18,983	-	-	-	-	-	(2,594)
Impairment	-	-	-	153,955	-	-	-	-	-	153,955
As of December 31, 2020	\$-	\$1,473,242	\$6,030,457	\$57,804,185	\$583,476	\$39,059	\$3,236,553	\$2,507	\$-	\$69,169,479
As of January 1, 2019	\$-	\$1,267,554	\$5,212,373	\$51,808,120	\$511,616	\$28,385	\$2,809,726	\$1,622	\$-	\$61,639,396
Depreciation	-	119,902	458,764	5,356,353	41,206	5,308	266,938	442	-	6,248,913
Disposals	-	-	(26,720)	(3,121,201)	(182)	(775)	(86,973)	-	-	(3,235,851)
Transfers	-	(12,694)	-	11,633	-	-	-	-	-	(1,061)
Impairment	-	-	-	55,267	-	-	-	-	-	55,267
As of December 31, 2019	-	\$1,374,762	\$5,644,417	\$54,110,172	\$552,640	\$32,918	\$2,989,691	\$2,064	\$-	\$64,706,664
Net carrying amount as at:										
December 31, 2020	\$1,146,274	\$2,238,838	\$2,422,248	\$22,380,343	\$118,899	\$12,462	\$1,041,879	\$1,918	\$1,534,006	\$30,896,867
December 31, 2019	\$1,143,394	\$2,332,708	\$2,430,073	\$22,085,265	\$85,676	\$16,118	\$941,418	\$2,361	\$1,207,352	\$30,244,365

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B. Property, plant and equipment leased out under operating leases

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2020	\$137,706	\$270,170	\$407,876
Additions	-	193,187	193,187
Disposals	-	-	-
Transfers	32,986	214,745	247,731
As at December 31, 2020	<u>\$170,692</u>	<u>\$678,102</u>	<u>\$848,794</u>
As at January 1, 2019	\$110,462	\$252,265	\$362,727
Additions	-	1,167	1,167
Disposals	-	-	-
Transfers	27,244	16,738	43,982
As at December 31, 2019	<u>\$137,706</u>	<u>\$270,170</u>	<u>\$407,876</u>
Accumulated depreciation and impairment:			
As at January 1, 2020	\$78,585	\$194,614	\$273,199
Depreciation	4,556	90,383	94,939
Disposals	-	-	-
Transfers	21,577	(14,754)	6,823
As at December 31, 2020	<u>\$104,718</u>	<u>\$270,243</u>	<u>\$374,961</u>
As at January 1, 2019	\$61,756	\$188,680	\$250,436
Depreciation	4,135	17,567	21,702
Disposals	-	-	-
Transfers	12,694	(11,633)	1,061
As at December 31, 2019	<u>\$78,585</u>	<u>\$194,614</u>	<u>\$273,199</u>
Net carrying amounts as at:			
December 31, 2020	<u>\$65,974</u>	<u>\$407,859</u>	<u>\$473,833</u>
December 31, 2019	<u>\$59,121</u>	<u>\$75,556</u>	<u>\$134,677</u>

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C. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2020	2019
Construction in progress	\$45,074	\$67,926
Capitalization rate of borrowing costs	0.95%~1.93%	1.71%~1.97%

D. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2020	2019
Acquisition of property, plant and equipment	\$8,095,184	\$8,951,134
Net decrease (increase) in payables to equipment suppliers	302,414	(18,981)
Net increase in other payables - related parties	(215,439)	(702)
Total	\$8,182,159	\$8,931,451

	For the years ended December 31,	
	2020	2019
Disposal of property, plant and equipment	\$395,197	\$678,210
Net decrease (increase) in other receivables	(2,783)	24,600
Net decrease (increase) in other receivables - related parties	448,554	(394,677)
Total	\$840,968	\$308,133

E. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buildings located in Miaoli County for operational use. The total purchase price was NT \$850 million (including tax). As of December 31, 2020, the Company has paid off the total consideration and recognized the payment in the construction in progress. According to the purchase agreement, ownership transfer registration shall be completed within four months after obtaining the use license.

In order to meet the needs of future operation and development, the Company decided to acquire the additional floors of the abovementioned buildings for production efficiency improvement. The expected purchase price was NT \$350 million (including tax). As of December 31, 2020, the purchase agreement has not been signed.

F. As of December 31, 2020 and 2019, the Company recognized an impairment loss of NT\$153,955 thousand and 55,267 thousand, respectively, for certain machinery and equipment which were either damaged or idle and could no longer be used.

G. Please refer to Note 8 for property, plant and equipment pledged as collateral.

(9) Intangible assets

	Software	Goodwill	Total
Cost:			
As of January 1, 2020	\$182,739	\$35,914	\$218,653
Additions from acquisitions	63,898	-	63,898
Disposals	(72,287)	-	(72,287)
Transfers	-	-	-
As of December 31, 2020	<u>\$174,350</u>	<u>\$35,914</u>	<u>\$210,264</u>
As of January 1, 2019	\$188,080	\$35,914	\$223,994
Additions from acquisitions	24,736	-	24,736
Disposals	(30,077)	-	(30,077)
Transfers	-	-	-
As of December 31, 2019	<u>\$182,739</u>	<u>\$35,914</u>	<u>\$218,653</u>
Amortization and impairment:			
As of January 1, 2020	\$116,591	\$35,914	\$152,505
Amortization	49,887	-	49,887
Disposals	(72,287)	-	(72,287)
Impairment loss	-	-	-
As of December 31, 2020	<u>\$94,191</u>	<u>\$35,914</u>	<u>\$130,105</u>
As of January 1, 2019	\$61,375	\$-	\$61,375
Amortization	85,293	-	85,293
Disposals	(30,077)	-	(30,077)
Impairment loss	-	35,914	35,914
As of December 31, 2019	<u>\$116,591</u>	<u>\$35,914</u>	<u>\$152,505</u>
Net carrying amount as of:			
December 31, 2020	<u>\$80,159</u>	<u>\$-</u>	<u>\$80,159</u>
December 31, 2019	<u>\$66,148</u>	<u>\$-</u>	<u>\$66,148</u>

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Amortization expenses of intangible assets recognized are as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$28,938	\$66,404
Selling and administrative expenses	17,750	14,009
Research and development expenses	3,199	4,880
Total	<u>\$49,887</u>	<u>\$85,293</u>

Please refer to Note 6 (10) for goodwill impairment testing.

(10) Goodwill impairment testing

The Company acquired Dawning Leading Technology Inc. in November 2018, and recognized goodwill of NT\$35,914 thousand, which is subject to impairment testing annually. After the acquisition of Dawning Leading Technology Inc., an assembly center was established, and goodwill was allocated to this center (a separate cash-generating unit).

Cash-generating unit of assembly center

As the acquisition date of Dawning Leading Technology Inc. was in November 2018, there is no impairment of goodwill in 2018. However, in 2019, the assembly center suffered an operating loss due mainly to severe competition and the delay in the introduction of new products. The recoverable amount of the assembly center has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections was 13.60% in 2019. As a result, management recognized an impairment loss of NT\$35,914 thousand on goodwill in 2019.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for assembly center unit is most sensitive to the following assumptions:

- (a) revenue growth rate applied to cash flow projections.
- (b) discount rates.

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Revenue growth rates – revenue growth rate is estimated based on market supply and demand and product implementation progress during the budget period.

Discount rates – discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Company’s investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Company has obligation to settle.

(11) Other current liabilities

	December 31, 2020	December 31, 2019
Refund liabilities	\$194,956	\$39,080
Receipts on behalf of others	380,535	260,622
Others	3,249	3,948
Total	<u>\$578,740</u>	<u>\$303,650</u>

(12) Long-term borrowings

As of December 31, 2020

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commerical Bank	Unsecured bank loans	2023.03.19	\$911,360	Revolving Credit
Shanghai Commerical Bank	Unsecured bank loans	2022.03.27	375,105	Revolving Credit
Taishin Bank	Unsecured bank loans	2023.02.07	1,300,000	Revolving Credit
Mega Bank	Unsecured bank loans	2022.09.18	313,280	Revolving Credit

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Land Bank	Unsecured bank loans	2022.03.03	170,880	Revolving Credit
First Commercial Bank	Unsecured bank loans	2022.07.20	12,463	Revolving Credit
MUFG Bank	Unsecured bank loans	2022.12.04	56,960	Revolving Credit
Bank of China	Unsecured bank loans	2022.10.14	712,000	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2022.03.11	541,120	Revolving Credit
Cathay United Bank	Unsecured bank loans	2022.12.25	227,840	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2022.10.27	703,485	Revolving Credit
Shin Kong Commerical Bank	Unsecured bank loans	2022.12.11	284,800	Revolving Credit
Mizuho Bank	Unsecured bank loans	2023.01.01	500,000	Revolving Credit
KGI Bank	Unsecured bank loans	2024.07.15	400,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	300,000	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	695,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.

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Lenders	Nature	Maturity Date	Balance	Terms of repayment
Fubon Bank	Unsecured bank loans	2023.02.07	800,000	50% of principal will be repaid on August 7, 2022. The remaining principal will be repaid on maturity day.
Bank of Taiwan	Unsecured bank loans	2024.01.20	1,200,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Commercial Bank	Unsecured bank loans	2025.01.20	895,497	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	1,100,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others	Commercial paper loans	2025.10.11	200,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal			18,359,790	
Less: current portion			-	
Less: arrangement fee			(30,725)	
Less: unamortized discount			(10,767)	
Total			\$18,318,298	
Interest Rates			0.50%~1.26%	

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As of December 31, 2019

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Citi Bank	Unsecured bank loans	2021.11.30	\$215,250	Revolving Credit
SinoPac Bank	Unsecured bank loans	2021.05.22	539,640	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2021.10.14	1,138,600	Revolving Credit
Cathay United Bank	Unsecured bank loans	2021.12.23	269,820	Revolving Credit
Bank of China	Unsecured bank loans	2021.10.14	749,500	Revolving Credit
Mizuho Bank	Unsecured bank loans	2021.01.01	1,230,000	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	2021.05.10	299,800	Revolving Credit
E. Sun Bank	Unsecured bank loans	2021.09.10	239,840	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2021.01.03	449,700	Revolving Credit
Mega Bank	Unsecured bank loans	2021.09.18	749,500	Revolving Credit
Land Bank	Unsecured bank loans	2021.03.28	269,820	Revolving Credit
Mega Bank	Unsecured bank loans	2021.02.12	319,500	Repay at maturity
Land Bank	Unsecured bank loans	2021.02.12	126,000	Repay at maturity
Fubon Bank	Unsecured bank loans	2021.02.09	175,500	Repay at maturity
Bank of Taiwan	Unsecured bank loans	2021.02.12	479,497	Repay at maturity
Land Bank and 13 others	Secured bank loans	2021.03.10	3,750,000	25% of principal will be repaid on September 10, 2019. The remaining principal will be repaid on maturity day.

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<u>Lenders</u>	<u>Nature</u>	<u>Maturity Date</u>	<u>Balance</u>	<u>Terms of repayment</u>
Mega Bank and 17 others	Commercial paper loans	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 17 others	Secured bank loans	2023.12.06	300,000	25% of principal will be repaid on February 13, 2023. The remaining principal will be repaid on maturity day.
Subtotal			<u>16,981,967</u>	
Less: current portion			-	
Less: arrangement fee			(30,305)	
Less: unamortized discount			<u>(7,002)</u>	
Total			<u>\$16,944,660</u>	
Interest Rates			<u>0.83%~4.30%</u>	

- a. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.
- b. Please refer to Note 9 for the financial covenants during the loan period.
- c. The Company's unused short-term lines of credits amounted to NT\$4,269,436 thousand and NT\$3,058,448 thousand as at December 31, 2020 and 2019, respectively.

(13) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee's salaries or wages to employee's pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT\$194,388 thousand and NT\$185,247 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$17,500 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

The maturities of the defined benefits plan as at December 31, 2020 and 2019 are both in 2025.

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Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

	For the years ended December 31,	
	2020	2019
Current period service costs	\$5,655	\$5,991
Interest income or expense	4,226	4,527
Overestimate (underestimate)	(4)	21
Total	\$9,877	\$10,539

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2020	2019
Defined benefit obligation at January 1,	\$849,561	\$802,898
Plan assets at fair value	(283,105)	(274,729)
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	\$566,456	\$528,169

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2019	\$752,629	\$(271,059)	\$481,570
Current period service costs	5,991	-	5,991
Net interest expense (income)	7,074	(2,547)	4,527
Subtotal	765,694	(273,606)	492,088
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	55,146	-	55,146
Actuarial gains and losses arising from changes in financial assumptions	(38,952)	-	(38,952)
Experience adjustments	51,181	-	51,181
Return on plan assets	-	(9,850)	(9,850)
Subtotal	67,375	(9,850)	57,525

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Payments from the plan	(30,171)	30,171	-
Contributions by employer	-	(21,444)	(21,444)
As at December 31, 2019	<u>\$802,898</u>	<u>\$(274,729)</u>	<u>\$528,169</u>
Current period service costs	5,655	-	5,655
Net interest expense (income)	6,424	(2,198)	4,226
Subtotal	<u>814,977</u>	<u>(276,927)</u>	<u>538,050</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	56,665	-	56,665
Experience adjustments	(1,354)	-	(1,354)
Return on plan assets	-	(9,405)	(9,405)
Subtotal	<u>55,311</u>	<u>(9,405)</u>	<u>45,906</u>
Payments from the plan	(20,727)	20,727	-
Contributions by employer	-	(17,500)	(17,500)
As at December 31, 2020	<u><u>\$849,561</u></u>	<u><u>\$(283,105)</u></u>	<u><u>\$566,456</u></u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2020	December 31, 2019
Discount rate	0.40%	0.80%
Expected rate of salary increases	1.50%	1.50%

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A sensitivity analysis for significant assumptions as at December 31, 2020 and 2019 is shown as below:

	Effect on the defined benefit obligation			
	2020		2019	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$(70,049)	\$-	\$(45,058)
Discount rate decrease by 0.5%	77,657	-	76,608	-
Future salary increase by 0.5%	76,376	-	75,659	-
Future salary decrease by 0.5%	-	(69,659)	-	(45,031)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

A. Share capital

As of December 31, 2020 and 2019, the Company's authorized share capital was both NT\$15,000,000 thousand; issued share capital was both NT\$12,227,451 thousand (1,222,745 thousand shares), with par value of NT\$10 per share. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$578,468	\$823,017
Arising from conversion of bonds	3,588,848	3,588,848
Treasury share transactions	390,101	390,101
Arising from the exercise of employee restricted shares	30,755	30,755
Total	<u>\$4,588,172</u>	<u>\$4,832,721</u>

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According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

- a. reserve for tax payments;
- b. offset prior year's losses;
- c. set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. set aside or reverse special reserve in accordance with law and regulations; and
- e. the distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2020 and 2019, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$201,416 thousand.

The appropriations for earnings for 2019 were resolved by the shareholders in its meeting on June 10, 2020 while the proposed appropriations of earnings for 2020 were approved by Board of Directors on March 12, 2021. The appropriations and dividends per share were as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$362,921	\$297,659		
Special reserve	(200,990)	(400,766)		
Cash dividends-common stock	<u>2,200,941</u>	<u>1,956,392</u>	\$1.80	\$1.60
Total	<u>\$2,362,872</u>	<u>\$1,853,285</u>		

On March 12, 2021 and June 10, 2020, the Board of Directors and the shareholders' meeting resolved to debit capital surplus by NT\$244,549 thousand and NT\$244,549 thousand, respectively, and distribute the same amounts of cash to shareholders.

Please refer to Note 6(18) for information regarding the employees' compensations (bonuses) and remunerations to directors.

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(15) Operating revenues

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Assembly and testing processing revenues	\$19,666,024	\$20,187,111
Revenues from rental of machinery	1,869,046	1,095,275
Rental income from property	105,287	32,246
Other operating revenues	1,704,401	531,212
Total revenues	<u>\$23,344,758</u>	<u>\$21,845,844</u>

Relevant information of revenues from contracts with customers for the years ended December 31, 2020 and 2019 are as follows:

A. Disaggregation of revenues

<u>Nature of revenues</u>	<u>Timing of revenue recognition</u>	<u>For the years ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
Rendering of services	Over time	\$19,666,024	\$20,187,111
Revenues from rental of machinery	Over time	1,869,046	1,095,275
Rental income from property	On a straight-line basis or on a systematic basis (Note)	105,287	32,246
Other operating revenues	At a point in time	1,704,401	531,212
Total		<u>\$23,344,758</u>	<u>\$21,845,844</u>

Note: Please refer to Note 6(17) for information regarding leases.

B. Contract balances

(a) Contract assets – current

<u>Nature of revenues</u>	<u>2020.12.31</u>	<u>2019.12.31</u>	<u>2019.01.01</u>
Rendering of services	<u>\$202,972</u>	<u>\$126,182</u>	<u>\$289,427</u>

Please refer to Note 6(16) for more details on effect of impairment. Relevant information of revenues from contracts with customers for the years ended December 31, 2020 and 2019 are as follows:

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	For the years ended December 31,	
	2020	2019
The opening balance transferred to trade receivables	\$126,182	\$288,359
Degree of completion measurement	\$202,972	\$125,114

(b) Contract liabilities - current

Nature of revenues	2020.12.31	2019.12.31	2019.01.01
Revenues from rental of machinery	\$11,590	\$52,486	\$84,834

Note: The difference of the beginning and ending balances is the net effect of the various revenue contracts signed before the opening date and the assumption of the new performance obligations for new contracts signed as of the ending date.

(16) Expected credit losses

Operating expenses - expected credit losses/ (gains)

	For the years ended December 31,	
	2020	2019
Contract assets	\$-	\$-
Notes receivable	-	-
Trade receivables	2,857	20,000
Total	\$2,857	\$20,000

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including notes receivable and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2020 and 2019 are as follows:

A. The gross carrying amount of contract assets is NT\$202,972 thousand and NT\$126,182 thousand, respectively. Expected credit loss ratio is estimated to be 0%.

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B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

As at December 31, 2020

Group 1	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$4,804,486	\$69,166	\$10,818	\$-	\$-	\$4,884,470
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(3,949)	-	(108)	-	-	(4,057)
Subtotal	4,800,537	69,166	10,710	-	-	4,880,413

Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$571	\$-	\$-	\$45	\$20,485	\$21,101
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(571)	-	-	(45)	(20,485)	(21,101)
Subtotal	-	-	-	-	-	-
Total						<u>\$4,880,413</u>

As at December 31, 2019

Group 1	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$4,567,054	\$52,285	\$13,072	\$12,819	\$-	\$4,645,230
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(23,502)	-	(131)	(256)	-	(23,889)
Subtotal	4,543,552	52,285	12,941	12,563	-	4,621,341

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Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	\$233	\$-	\$186	\$8,803	\$13,537	\$22,759
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(233)	-	(186)	(8,803)	(13,537)	(22,759)
Subtotal	-	-	-	-	-	-
Total						<u>\$4,621,341</u>

Note: The Company's notes receivable are not overdue.

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2020 and 2019 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance as at January 1, 2020	\$-	\$-	\$46,648	\$-
Addition for the current period	-	-	2,857	-
Write off (Note)	-	-	(1,198)	-
Transfer	-	-	(23,149)	23,149
Ending balance as at December 31, 2020	<u>\$-</u>	<u>\$-</u>	<u>\$25,158</u>	<u>\$23,149</u>
Beginning balance as at January 1, 2019	\$-	\$-	\$27,383	\$-
Addition for the current period	-	-	20,000	-
Write off (Note)	-	-	(735)	-
Ending balance as at December 31, 2019	<u>\$-</u>	<u>\$-</u>	<u>\$46,648</u>	<u>\$-</u>

Note: Although the Company wrote off the financial assets during 2020 and 2019, collection activities are still underway.

(17) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 6 to 28 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with lease terms ranging from 1 to 2 years. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2020	December 31, 2019
Land	\$476,801	\$453,948
Machinery and equipment	714,630	774,671
Total	<u>\$1,191,431</u>	<u>\$1,228,619</u>

During the years ended December 31, 2020 and 2019, the Company's additions to right-of-use assets amounted to NT\$89,750 thousand and NT\$774,671 thousand, respectively.

During the year ended December 31, 2020, the Company exercised the purchase option and transferred the right-of-use assets to machinery and equipment amounting to NT\$32,681 thousand. No such transaction occurred in 2019.

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(b) Lease liabilities

	December 31, 2020	December 31, 2019
Lease liabilities- current	\$304,358	\$788,269
Lease liabilities- non-current	533,878	444,245
Total	<u>\$838,236</u>	<u>\$1,232,514</u>

Please refer to Note 6(19) C for the interest on lease liabilities recognized during the years ended December 31, 2020 and 2019, and refer to Note 12(3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2020 and 2019.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Land	\$18,853	\$17,242
Machinery and equipment	102,055	-
Total	<u>\$120,908</u>	<u>\$17,242</u>

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2020	2019
The expenses relating to short-term leases	\$36,305	\$49,181
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	497	475
Total	<u>\$36,802</u>	<u>\$49,656</u>

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d. Cash outflows relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company's total cash outflows for leases amounted to NT\$561,801 thousand and NT\$71,880 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. The Company as a lessor

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$105,287</u>	<u>\$32,246</u>

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Please refer to Note 6(8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2020 and 2019 are as follow:

	December 31, 2020	December 31, 2019
Not later than one year	\$34,930	\$7,255
Later than one year and not later than five years	-	187
Total	\$34,930	\$7,442

(18) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2020 and 2019:

	For the years ended December 31,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$4,208,403	\$1,038,578	\$5,246,981	\$3,896,153	\$944,832	\$4,840,985
Labor and health insurance	403,170	72,965	476,135	380,828	69,659	450,487
Pension	161,096	43,169	204,265	154,957	40,829	195,786
Remuneration of directors	-	38,212	38,212	-	33,391	33,391
Other employee benefits expense	212,690	33,763	246,453	204,236	32,665	236,901
Total	\$4,985,359	\$1,226,687	\$6,212,046	\$4,636,174	\$1,121,376	\$5,757,550
Depreciation	\$6,311,631	\$497,766	\$6,809,397	\$5,835,042	\$452,815	\$6,287,857
Amortization	\$28,938	\$20,949	\$49,887	\$66,404	\$18,889	\$85,293

The average total number of employees was 7,606 and 7,350 as of December 31, 2020 and 2019, respectively. The total number of Board of Directors who has not served as employees was 7 and 7, respectively.

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- A. The average amount of employee benefits expense was NT\$812 thousand and NT\$780 thousand as of December 31, 2020 and 2019, respectively.
- B. The average amount of salaries was NT\$690 thousand and NT\$659 thousand as of December 31, 2020 and 2019, respectively.
- C. The change rate of average amount of salaries was 4.7% and 1.2% for the years ended December 31, 2020 and 2019, respectively.
- D. The remuneration to supervisors were estimated at 0 thousand and 0 thousand for the years ended December 31, 2020 and 2019, respectively.

In accordance with the Articles of Incorporation, no higher than 1% of the profit of the current year is distributable as remuneration to directors (including independent directors). However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. In addition, according to the Company's Articles of Incorporation, the remuneration paid to directors (including independent directors) is determined based on the Company's overall operating performance with consideration of the contribution of each director to the Company and reference to industry norm. The remuneration proposal shall be approved by more than half members of the Compensation Committee and submitted to the Board of Directors for further approval.

According to the Company's Articles of Incorporation and the Company Law, the remuneration of the Company's executives is determined based on the positions of the executives, contribution to the Company's operations, individual performance, and consideration of the Company's future risk and reference to the industry norm. The remuneration is to be reviewed by the Compensation Committee for its plausibility and submitted to the Board of Directors for resolution.

The employee's compensation policy of the Company takes into account various factors such as individual's salary, rank, and performance evaluation, the industry norm and the Company's operating results, etc.

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In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be 8% of profit of current period (or NT\$382,118 thousand) and 0.8% of profit of current period (or NT\$38,212 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 12, 2021 to distribute NT\$382,118 thousand and NT\$38,212 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2020.

Actual distribution of employees' compensation and remuneration to directors of 2019 amounted to NT\$333,915 thousand and NT\$33,391 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2019.

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(19) Non-operating income and expenses

A. Other income

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Dividend income	\$50,966	\$38,398
Scrape income	15,638	11,465
Others	110,456	58,826
Total	<u>\$177,060</u>	<u>\$108,689</u>

B. Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Gains on disposal of property, plant and equipment	\$46,075	\$73,578
Foreign exchange gains, net	39,870	55,551
Gains on financial assets at fair value through profit or loss (Note)	-	424
Impairment losses –Property, plant and equipment	(153,955)	(55,267)
Impairment losses –Goodwill	-	(35,914)
Others	(96,760)	(2,172)
Total	<u>\$(164,770)</u>	<u>\$36,200</u>

Note: Balance in current year was arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance costs

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest expenses on borrowings from bank	\$198,412	\$230,782
Interest expenses on lease liabilities	19,173	8,877
Total	<u>\$217,585</u>	<u>\$239,659</u>

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(20) Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$ (45,906)	\$ -	\$ (45,906)	\$ -	\$ (45,906)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	2,094,772	(38,462)	2,056,310	(403,570)	1,652,740
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	105,726	-	105,726	(21,145)	84,581
Total of other comprehensive income	<u>\$2,154,592</u>	<u>\$(38,462)</u>	<u>\$2,116,130</u>	<u>\$(424,715)</u>	<u>\$1,691,415</u>

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$ (57,525)	\$ -	\$ (57,525)	\$ -	\$ (57,525)

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Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	687,601	(395)	687,206	(136,555)	550,651
To be reclassified to profit or loss in subsequent periods: Exchange differences resulting from translating the financial statements of foreign operations	(186,862)	-	(186,862)	37,373	(149,489)
Total of other comprehensive income	<u>\$443,214</u>	<u>\$(395)</u>	<u>\$442,819</u>	<u>\$(99,182)</u>	<u>\$343,637</u>

(21) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2020	2019
Current income tax expense:		
Current income tax charge	\$723,367	\$657,290
Adjustments in respect of current income tax of prior periods	(198,244)	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	205,591	116,255
Income tax expense recognized in profit or loss	<u>\$730,714</u>	<u>\$773,545</u>

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Income tax relating to components of other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$403,570	\$136,555
Exchange differences resulting from translating the financial statements of foreign operations	21,145	(37,373)
Income tax relating to components of other comprehensive income	<u>\$424,715</u>	<u>\$99,182</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Accounting profit before tax from continuing operations	<u>\$4,367,367</u>	<u>\$3,815,111</u>
Tax at the domestic rates applicable to profits in the country concerned	\$873,473	\$763,022
Tax effect of expenses not deductible for tax purposes	(150,106)	(105,732)
Tax effect of deferred tax assets/liabilities	205,591	116,255
Adjustments in respect of current income tax of prior periods	(198,244)	-
Total income tax expense recognized in profit or loss	<u>\$730,714</u>	<u>\$773,545</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance	Recognized			Exchange differences	Ending balance
		Recognized in profit or loss	in other comprehensive income	Charged directly to equity		
Temporary differences						
Unrealized exchange gains and losses	\$ (5,624)	\$ (24,148)	\$ -	\$ -	\$ -	\$ (29,772)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	11,054	24,339	-	-	-	35,393
Depreciation difference for tax purpose	24,219	(984)	-	-	-	23,235
Unrealized sales discount	7,816	31,175	-	-	-	38,991
Investments accounted for using the equity method	29,151	(229,157)	-	-	-	(200,006)
Exchange differences resulting from translating the financial statements of foreign operations	110,404	-	(21,145)	-	-	89,259
Unrealized investment gains and losses	(34,297)	(323)	(403,570)	-	-	(438,190)
Others	11,540	16,555	-	-	-	28,095
Unused tax losses	23,048	(23,048)	-	-	-	-
Deferred tax income/ (expense)		<u>\$ (205,591)</u>	<u>\$ (424,715)</u>	<u>\$ -</u>	<u>\$ -</u>	
Net deferred tax assets/(liabilities)	<u>\$ 189,961</u>					<u>\$ (440,345)</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$ 229,882</u>					<u>\$ 227,623</u>
Deferred tax liabilities	<u>\$ 39,921</u>					<u>\$ 667,968</u>

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For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	\$495	\$(6,119)	\$-	\$-	\$-	\$(5,624)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	-	11,054	-	-	-	11,054
Depreciation difference for tax purpose	16,426	7,793	-	-	-	24,219
Unrealized sales discount	6,666	1,150	-	-	-	7,816
Investments accounted for using the equity method	158,590	(129,439)	-	-	-	29,151
Exchange differences resulting from translating the financial statements of foreign operations	73,031	-	37,373	-	-	110,404
Unrealized investment gains and losses	104,007	(1,749)	(136,555)	-	-	(34,297)
Others	10,485	1,055	-	-	-	11,540
Unused tax losses	23,048	-	-	-	-	23,048
Deferred tax income/ (expense)		<u>\$(116,255)</u>	<u>\$(99,182)</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$405,398</u>					<u>\$189,961</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$405,398</u>					<u>\$229,882</u>
Deferred tax liabilities	<u>\$-</u>					<u>\$39,921</u>

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The following table contains information of the unused tax losses of the Company:

<u>Entities</u>	<u>Year</u>	<u>Tax losses for the period</u>	<u>Unused tax losses as at</u>		<u>Expiration year</u>
			<u>December 31, 2020</u>	<u>December 31, 2019</u>	
The Company	2009	\$372,867	\$-	\$115,242	2019

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that have not been recognized amounted to NT\$0 thousand and NT\$6,345 thousand, respectively.

The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company is as follows:

<u>Entities</u>	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2018

(22) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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	For the years ended	
	December 31,	
	2020	2019
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	<u>\$3,636,653</u>	<u>\$3,041,566</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	<u>1,222,745</u>	<u>1,222,745</u>
Basic earnings per share (NT\$)	<u>\$2.97</u>	<u>\$2.49</u>
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	<u>\$3,636,653</u>	<u>\$3,041,566</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,745
Effect of dilution:		
Employee compensation – stock (in thousands)	<u>13,079</u>	<u>10,499</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>1,235,824</u>	<u>1,233,244</u>
Diluted earnings per share (NT\$)	<u>\$2.94</u>	<u>\$2.47</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

A. Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Other related parties (Note)	Subsidiary of MediaTek Inc.
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates
KYEC USA Corp.	Subsidiaries
KYEC SINGAPORE PTE. LTD.	Subsidiaries
KYEC Japan K.K.	Subsidiaries
King Long Technology (Suzhou) Ltd.	Subsidiaries
Suzhou Zhengkuan Technology Ltd.	Subsidiaries
King Ding	Subsidiaries

Note : The Company's transactions with these companies are not material.

B. Significant transactions with related parties

(a) Operating income

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
MediaTek Inc.	\$2,820,870	\$1,852,957
Mediatek Singapore Pte. Ltd.	2,177,299	913,779
Other related parties	391,058	335,943
Subsidiaries	151,836	36,020
Associates	5,585	5,930
Total	<u>\$5,546,648</u>	<u>\$3,144,629</u>

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The various trading price to related parties was determined through mutual agreement based on the market demands. The trade credit terms for related parties were 45 to 180 days, while the terms for non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

- (b) The Company purchased inventories from associates and subsidiaries. For the year ended December 31, 2020, the purchase amounts were NT\$77,608 thousand and NT\$537 thousand, respectively. The Company purchased inventories from associates and subsidiaries, for the year ended December 31, 2019, the purchase amount were NT\$51,369 thousand and NT\$1,810 thousand, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.
- (c) The Company appointed an associate to perform machinery repairs. For the years ended December 31, 2020 and 2019, the operating cost recognized amounted to NT\$300,730 thousand and NT\$312,790 thousand, respectively. The Company appointed a subsidiary to perform machinery repairs. For the years ended December 31, 2020 and 2019, the operating cost recognized amounted to NT\$3,680 thousand and NT\$711 thousand, respectively.
- (d) The Company paid rental expenses for renting machines from associates. For the years ended December 2020 and 2019, the rental expenses amounted to NT\$6,605 thousand and NT\$0 thousand, respectively. The rental price was based on the similar machine's rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.

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(e) Significant property transactions with related parties:

i. Disposal of property, plant and equipment

Related party	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Sales price	Disposal gain	Sales price	Disposal gain
King Long Technology (Suzhou) Ltd.	\$287,847	\$37,863	\$596,056	\$80,968
Subsidiaries	27,847	12,873	34,077	19,738
Associates	14,869	5,678	9,423	5,028
Subtotal	330,563	56,414	639,556	105,734
Unrealize gain on disposal in current year (Note)	-	4,917	-	(38,967)
Net Amount	<u>\$330,563</u>	<u>\$61,331</u>	<u>\$639,556</u>	<u>\$66,767</u>

Note : The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

Related party	For the year ended December 31, 2020	For the year ended December 31, 2019
	Purchase price	Purchase price
Subsidiaries	\$243,360	\$146,695
Associates	123,070	106,826
Total	<u>\$366,430</u>	<u>\$253,521</u>

The purchase price was determined through mutual agreement based on the market demand.

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(f) Contract assets

Contract assets – current

	December 31, 2020	December 31, 2019
Other related parties		
MediaTek Inc.	\$-	\$1,293
MediaTek Singapore Pte. Ltd.	-	500
Total	-	1,793
Less: loss allowance	-	-
Net	\$-	\$1,793

(g) Trade receivables from related parties

	December 31, 2020	December 31, 2019
MediaTek Inc.	\$1,056,080	\$449,983
Mediatek Singapore Pte. Ltd.	523,417	310,465
King Long Technology (Suzhou) Ltd.	67,066	15,558
Airoha Technology Corp.	51,245	90,465
Other related parties	48,791	19,391
Subsidiaries	2,618	107
Associates	461	203
Less: loss allowance	-	-
Net	\$1,749,678	\$886,172

(h) Other receivables from related parties

	December 31, 2020	December 31, 2019
King Long Technology (Suzhou) Ltd.	\$71,659	\$786,490
MediaTek Inc.	25,708	6,235
Associates	6,951	-
Suzhou Zhengkuan Technology Ltd.	5,427	10,158
Subsidiaries	1,575	280
Other related parties	598	1,721
King Ding	-	16,590
Total	\$111,918	\$821,474

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(i) Account payables to related parties

	December 31, 2020	December 31, 2019
Wei Jiu Industrial Co., Ltd.	\$16,512	\$30,713
Associates	2,975	-
Subsidiaries	-	624
Total	<u>\$19,487</u>	<u>\$31,337</u>

(j) Other payables to related parties

	December 31, 2020	December 31, 2019
King Long Technology (Suzhou) Ltd.	\$233,588	\$-
Fixwell Technology Corp.	46,612	62,269
Wei Jiu Industrial Co., Ltd.	18,013	27,712
KYEC USA Corp.	3,987	6,596
Other subsidiaries	3,052	3,406
Other related parties	831	1,067
King Ding	-	17,955
Total	<u>\$306,083</u>	<u>\$119,005</u>

(k) The Company paid NT\$99,387 thousand and NT\$118,158 thousand as commission expenses to the subsidiaries for the years ended December 31, 2020 and 2019, respectively.

(l) Other income

	<u>For the years ended December 31,</u>	
	2020	2019
Subsidiaries	\$926	\$7,510
Associates	681	-
Total	<u>\$1,607</u>	<u>\$7,510</u>

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C. Endorsements and guarantees:

As of December 31, 2020, the Company guaranteed Suzhou Zhengkuan Technology Ltd. 's lines of credit which were provided by KGI Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, E.SUN Bank (China) in Dongguan branch, Bank of Taiwan in Shanghai branch, and SinoPac Commercial Bank in Shanghai branch. Please refer to Note 9 for more details.

D. Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$120,917	\$123,311
Post-employment benefits	1,004	1,082
Total	\$121,921	\$124,393

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

Items	Carrying amount		Purpose of pledge
	December 31, 2020	December 31, 2019	
Other non-current financial assets	\$115,669	\$113,125	Customs clearance
Land	914,594	914,594	Long-term borrowings
Building and facility	1,273,901	1,797,524	Long-term borrowings
Machinery and equipment	6,898,747	842,178	Long-term borrowings
Total	\$9,202,911	\$3,667,421	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2020, the following contingencies and material commitments were not included in the Company's financial statements:

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- A. The Company's issued and outstanding letters of credit is approximately NT\$510,912 thousand.
- B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT\$728,165 thousand with NT\$536,833 thousand already paid and NT\$191,332 thousand remaining unpaid (promissory notes have been issued).
- C. The promissory notes issued for secured bank loans amounted to NT\$48,006,475 thousand.
- D. The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.'s lines of credit. The lines of credit were provided by KGI Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, E.SUN Commercial Bank (China) in Dongguan branch, Bank of Taiwan in Shanghai branch and SinoPac Commercial Bank in Shanghai branch in the amount of US\$8,000 thousand, US\$5,000 thousand, US\$5,000 thousand, CNY\$30,000 thousand, CNY\$30,000 thousand and CNY\$50,000 thousand, respectively.
- E. The Company entered into loan agreements with Mega International Commercial Bank and First Commercial Bank, the following financial covenants shall be maintained on annual basis during the period from 2020 to 2025:
- (a) Current ratio not less than 100%;
 - (b) Debt ratio not more than 150%;
 - (c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with Far Eastern Int'l Bank, the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2020 to 2023:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio no less than 300%.

The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2018 to 2023:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio not less than 300%.

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In the case of failure to adhere to the aforementioned financial covenants during the period from 2018 to 2023, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

The Company entered into a syndicated loan agreement with 13 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2020 to 2025:

- (a) Current ratio not less than 100%;
- (b) Debt ratio not more than 150%;
- (c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2020 to 2025, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

As of December 31, 2020, the Company did not violate any financial covenants.

- F. As some shareholders of Dawning has claimed objections against the merger transaction with Dawning relating to the acquisition price of NT\$3.0 per share, the Company has calculated and lodged the redemption price of NT\$52,585 thousand with the Taipei District Court for court ruling on the redemption price on November 20, 2018. The Company reached a settlement with the abovementioned shareholders on August 31, 2020, and two parties submitted the settlement letter to Hsinchu District Court in September 2020. This case has no significant impact on the Company's operation.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

On March 12, 2021, the Board of Directors resolved to approve the proposal for King Long Technology (Suzhou) Ltd. to launch an initial public offering (“IPO”) of RMB denominated ordinary shares (A- shares) on the Shanghai Stock Exchange or Shenzhen Stock Exchange. The IPO resolution will need to be approved by the shareholders’ meeting.

12. Others

(1) Categories of financial instruments

<u>Financial assets</u>	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:		
Financial assets at fair value through other comprehensive income	\$4,446,563	\$2,455,280
Financial assets measured at amortized cost (Note)	10,316,832	9,875,472
Total	\$14,763,395	\$12,330,752
<u>Financial liabilities</u>	December 31, 2020	December 31, 2019
Financial liabilities at amortized cost:		
Payables (including related parties)	\$814,316	\$808,470
Other payables (including related parties)	3,423,827	3,671,426
Long-term loans (including current portion)	18,318,298	16,944,660
Lease liabilities	838,236	1,232,514
Guarantee deposits	2,755	1,933
Total	\$23,397,432	\$22,659,003

Note: Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit Committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primarily for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates of US\$. The sensitivity analysis is as follows:

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When NT\$ appreciates or depreciates against US\$ by 1%, the profit for the years ended December 31, 2020 and 2019 would have increased / decreased by NT\$2,406 thousand and NT\$3,124 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rate. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company's sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT\$18,360 thousand and NT\$16,982 thousand for the years ended December 31, 2020 and 2019, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

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At the reporting date ended December 31, 2020 and 2019, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT\$5,623 thousand and NT\$11,025 thousand on the equity attributable to the Company.

Please refer to Note 12(3) section H for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

D. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment and insurance.

As of December 31, 2020 and 2019, receivables from top ten customers represented 49% and 49% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

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E. Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investments in securities with high liquidity, and facilities of bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1		2 to 3 years	3 to 4 years	Longer than 4		Total
	year	1 to 2 years			years		
<u>December 31, 2020</u>							
Payables	\$4,238,143	\$-	\$-	\$-	\$-	\$4,238,143	
Borrowings	160,053	6,468,700	9,632,289	1,655,063	909,521	18,825,626	
Lease liabilities	304,358	79,436	15,642	15,917	422,883	838,236	
(Note)							
<u>December 31, 2019</u>							
Payables	\$4,479,896	\$-	\$-	\$-	\$-	\$4,479,896	
Borrowings	229,493	11,231,460	1,494,818	4,619,832	-	17,575,603	
Lease liabilities	788,269	13,854	14,116	14,382	401,893	1,232,514	
(Note)							

Note: Information about the maturities of lease liabilities is provided in the table below:

Lease liabilities	Maturity Period				Total
	Less than 1 year	1 to 5 years	6 to 10 years	> 10 years	
December 31, 2020	\$304,358	\$126,995	\$101,747	\$305,136	\$838,236
December 31, 2019	\$788,269	\$56,983	\$76,137	\$311,125	\$1,232,514

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F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2020:

	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$16,944,660	\$1,232,514	\$18,177,174
Cash flows	1,434,194	(505,826)	928,368
Non-cash changes			
Syndicated loan issuance costs	16,380	-	16,380
Amortization on bonds payable	(3,765)	-	(3,765)
Addition to right-of-use assets	-	89,750	89,750
Remeasurement of lease liabilities		26,651	26,651
Foreign exchange movement	(73,171)	(4,853)	(78,024)
As of December 31, 2020	<u>\$18,318,298</u>	<u>\$838,236</u>	<u>\$19,156,534</u>

Reconciliation of liabilities for year ended December 31, 2019:

	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	\$16,628,004	\$-	\$16,628,004
Beginning adjustments	-	471,190	471,190
Cash flows	395,952	(13,347)	382,605
Non-cash changes			
Syndicated loan issuance costs	13,370	-	13,370
Amortization on bonds payable	(1,351)	-	(1,351)
Addition to right-of-use assets	-	774,671	774,671
Foreign exchange movement	(91,315)	-	(91,315)
As of December 31, 2019	<u>\$16,944,660</u>	<u>\$1,232,514</u>	<u>\$18,177,174</u>

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G. Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments.

- b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

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c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(3) section H for fair value measurement hierarchy for financial instruments of the Company.

H. Fair value measurement hierarchy

a. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$28,117	\$-	\$4,418,446	\$4,446,563

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$55,123	\$-	\$2,400,157	\$2,455,280

Transfers between Level 1 and Level 2 during the period

The Transfer between Level 1 and Level 2 during 2019 was because the expiry of lock-up period of the related investments. There was no such transfer during 2020.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2020:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as at January 1, 2020	\$2,400,157
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	2,018,289
Ending balances as at December 31, 2020	<u>\$4,418,446</u>

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2019:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as at January 1, 2019	\$1,725,878
Liquidation return of surplus value	(395)
Total gains and losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	674,279
Reversal of liquidation loss recognized in retain earnings	395
Ending balances as at December 31, 2019	<u>\$2,400,157</u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2020

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT\$489,775 thousand.

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KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$1,495 thousand.
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As at December 31, 2019

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$265,575 thousand.
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$1,426 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

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KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

I. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2020		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$173,133	28.48	\$4,930,838
JPY	209,229	0.2763	57,810
CNY	577	4.377	2,527
<u>Monetary financial liabilities</u>			
US\$	181,580	28.48	5,171,411
JPY	254,698	0.2763	70,373
CNY	-	4.377	-
	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Monetary financial assets</u>			
US\$	\$151,257	29.98	\$4,534,696
JPY	260,886	0.276	72,005
CNY	139,694	4.305	601,381
<u>Monetary financial liabilities</u>			
US\$	161,676	29.98	4,847,058
JPY	315,880	0.276	87,183
CNY	138,000	4.305	594,090

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT\$39,870 thousand and NT\$55,551 thousand for the years ended December 31, 2020 and 2019, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

J. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

- (1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2020:
 - A. Financing provided to others: None.
 - B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.
 - C. Securities held as of December 31, 2020: Please refer to Attachment 2.
 - D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: Please refer to Attachment 3.
 - F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
 - H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock: Please refer to Attachment 5.
 - I. Financial instruments and derivative transactions: None.
 - J. Parent-subsidiary relationship between business dealings and important circumstance: Please refer to Attachment 6.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

- (2) Information on investees
- A. Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 7.
- B. The following are additional disclosures for investee companies KYEC has significant influence or control:
- a. Financing provided to others: None.
 - b. Endorsement/Guarantee provided to others: None.
 - c. Securities held as of December 31, 2020: None.
 - d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock: None.
 - g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
 - h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2020: Please refer to Attachment 5.
 - i. Financial instruments and derivative transactions: None.
- (2) Investment in Mainland China: Please refer to Attachment 8.
- (3) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2020.

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	Suzhou Zhengkuan Technology Ltd.	(Note1)	\$5,863,814	\$1,364,430	\$994,110	\$369,806	-	3.39%	\$11,727,628	Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2020.

MARKTEABLE SECURITIES HELD

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock	ADL Engineering INC.	-	Non-current financial assets at fair value through other comprehensive income	210,614	\$-	1.76%	\$-	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	57,810,000	1,203,620	7.58%	1,203,620	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	2.74%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	3,204,360	16.78%	3,204,360	
	Stock	Mcube Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.97%	-	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	436,046	15,174	1.23%	15,174	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	12,943	0.32%	12,943	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUCTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	10,466	17.16%	10,466	

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE CAPITAL PAID-IN

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
The Company	Land and building	2020.10.30 (Note)	\$350,000	According to the trading term of purchase order, no payment needed as of December 31, 2020.	Henghou Xingye Co., Ltd.	None	Not applicable				Reference to valuation report	Purpose: to meet the needs of future operation and development Using status: ownership not transferred	None
The Company	Land and building	2020.12.25 (Note)	\$639,000	According to the trading term of purchase order, no payment needed as of December 31, 2020.	Weishun architecture Co., Ltd.	None	Not applicable				Price comparison and bargaining	Purpose: to meet the needs of future operation and development Using status: ownership not transferred	None

Note: Board of Directors approval date. As of December 31, 2020, the purchase agreement has not been signed.

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

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)	
			Purchase/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	\$2,820,870	12.08%	Month-end 75 days	-	-	\$1,056,080	20.78 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	\$2,177,299	9.33%	Month-end 60 days	-	-	\$523,417	10.30 %
	Airoha Technology Corporation	Subsidiary of MediaTek Inc.	Sales	\$247,795	1.06%	Month-end 60 days	-	-	\$51,245	1.01 %
	King Long Technology (Suzhou) Ltd.	Subsidiary	Sales	\$142,873	0.61%	Month-end 180 days	-	-	\$67,066	1.32 %
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	\$127,948	2.72%	Month-end 180 days	-	-	\$72,255	9.30 %

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

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	\$1,081,788 (Note 1)	3.74	\$9,560	-	\$647,514	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	\$523,774 (Note 2)	5.22	\$16	-	\$326,683	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	\$138,725 (Note 3)	3.46	\$-	-	\$65,397	-
King Long Technology (Suzhou) Ltd.	KING YUAN ELECTRONICS CO., LTD.	The parent company	\$233,650 (Note 4)	3.90	\$-	-	\$-	-
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	\$123,174 (Note 5)	1.71	\$-	-	\$43,939	-

Note 1: Includes other receivables - related party amounting to NT\$25,708 thousand arising from handling charges, freights and tax fees.

Note 2: Includes other receivables - related party amounting to NT\$357 thousand arising from customs clearance charges and freights.

Note 3: Includes other receivables - related party amounting to NT\$71,659 thousand arising from disposal of equipments and accessories.

Note 4: Includes other receivables - related party amounting to NT\$233,456 thousand arising from disposal of equipments and accessories.

Note 5: Includes other receivables - related party amounting to NT\$50,919 thousand arising from utility fees.

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Financial Statement Account	Amount (Foreign Currency in Thousands)	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	\$46,458	according to contract	0.16%
				Accrued expenses	3,987		0.01%
		King Long Technology (Suzhou) Ltd.		Receivable on equipment	287,847		0.47%
				Payables on equipment	243,360		0.40%
				Accounts receivable	67,066		0.11%
				Other receivables	71,659		0.12%
				Accrued expenses	233,588		0.38%
				Sales revenue	142,873		0.49%
				Deferred credits	101,869		0.17%
		KYEC Japan. K.K.		Other receivables	1,575		0.00%
				Accrued expenses	3,052		0.00%
		KYEC Singapore PTE. LTD.		Commission expense	19,844		0.07%
Suzhou Zhengkuan Technology Ltd.	Commission expense	33,084	0.11%				
	Endorsement guarantee	994,110 (US\$18,000) (CNY 110,000)	-				
			-				
			-				
	Receivable on equipment	27,847	0.05%				
	Accounts receivable	2,616	0.00%				
	Other receivables	5,427	0.01%				
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	127,948		0.44%
				Accounts receivable	72,255		0.12%
				Other receivables	50,919		0.08%

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

(1) Number 0 represents the Company.

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

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

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

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended December 31, 2020.	Note
				December 31,2020	December 31,2019	Shares	Percentage of Ownership	CarryingValue			
The Company	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	\$4,973	\$4,973	160,000	100.00 %	\$12,035	\$1,109	\$1,109	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	5,691,034	1,072,053	1,072,053	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	362,498	68,186	68,186	
	KYEC Japan. K.K.	Note 4	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	56,828	4,796	4,309	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	2,130	132	132	
	Fixwell Technology Corp.	Note 6	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	46,981	43,506	10,076	
	Wei Jiu Industrial Co., Ltd.	Note 7	CNC center processing machine, lathe machining processing design and various precision mechanical components manufacturing	10,200	10,200	1,020,000	34.00 %	22,875	17,682	6,012	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	72,600	6,600,000	100.00 %	69,962	(2,443)	(2,443)	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 199,826	USD 38,319	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 12,728	USD 38,319	-	

Note 1: 101 Meto Drive., #540 San Jose, CA 95110 USA.

Note 2: Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.

Note 3: Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

Note 4: 5F 2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.

Note 5: 750A Chai Chee Road Unit 07-22 Technopark @Chai Chee, Singapore 469001.

Note 6: No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)

Note 7: No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)

Note 8: No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

Note 9: P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	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 Profits/Losses (Note 5)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	\$517,425 (USD 18,168)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	\$3,521,694 (USD 123,655)	\$-	\$-	\$3,521,694 (USD 123,655)	\$1,140,239 (USD 38,319)	100%	\$1,140,239 (USD 38,319)	\$6,053,533 (USD 212,554)	\$-
Suzhou Zhengkuan Technology Ltd.	Note 3	\$2,328,589 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	\$1,388,931 (USD 48,769)	\$-	\$-	\$1,388,931 (USD 48,769)	\$113,006 (USD 3,855)	100%	\$113,006 (USD 3,855)	\$505,845 (USD 17,761)	\$-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$4,910,625 (USD 172,424)	\$4,910,625 (USD 172,424)	\$17,591,443

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integrated circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: Investment was through King Long Technology (Suzhou) Ltd.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

KING YUAN ELECTRONICS CO., LTD.
1.STATEMENT OF CASH AND CASH EQUIVALENTS
December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and cash equivalents	Including US\$26,710 thousand and JPY209,229 thousand	\$ 4,520,784	Exchange rate of Dec.31, 2020: NT\$ 28.48 = US\$ 1 NT\$ 0.2763 = JPY 1
Time deposits		<u>590,000</u>	
Total		<u>\$ 5,110,784</u>	

KING YUAN ELECTRONICS CO., LTD.
2.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-CURRENT
December 31, 2020

(In Thousands of New Taiwan Dollars)

Financial product	Balance, January 1, 2020		Increase in 2020		Decrease in 2020		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2020		Provide pledged as collateral assets	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value		Shares	Fair Value		
Unimicon Technology Corporation	717,000	\$ 30,114	-	\$ -	717,000	\$ (65,027)	\$ 34,913	-	\$ -	N/A	
Total		<u>\$ 30,114</u>		<u>\$ -</u>		<u>\$ (65,027)</u>	<u>\$ 34,913</u>		<u>\$ -</u>		

Note: The Company disposed of all securities of Unimicon Technology Corporation in November 2020.

KING YUAN ELECTRONICS CO., LTD.
3.STATEMENT OF NOTES RECEIVABLE, NET
December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
GSI Technology Taiwan, Inc.		<u>\$ 3,049</u>	

KING YUAN ELECTRONICS CO., LTD.
4.STATEMENT OF TRADE RECEIVABLES, NET
December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Omnivision Technologies Singapore Pte. Ltd.		\$ 224,209	
Nvidia Corporation		192,242	
Phison Electronics Corporation Jhunan Branch		179,341	
Himax Technologies, Inc.		179,086	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,377,966	
Total		<u>3,152,844</u>	
Less: loss allowance		<u>(25,158)</u>	
Net		<u>\$ 3,127,686</u>	

KING YUAN ELECTRONICS CO., LTD.

5.STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
MediaTek Inc.		\$ 1,056,080	
Mediatek Singapore Pte. Ltd.		523,417	
King Long Technology (Suzhou) Ltd.		67,066	
Airoha Technology Corp.		51,245	
Richtek Technology Corp.		27,853	
EcoNet (Suzhou) Limited		17,156	
Suzhou Zhen Kun Technology Limited		2,616	
Chingis Technology Corporation		2,579	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	1,666	
Total		<u>\$ 1,749,678</u>	

KING YUAN ELECTRONICS CO., LTD.
6.STATEMENT OF OTHER RECEIVABLES
December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Other receivables		\$ 117,027	
Tax refund		242	
Interest receivable		<u>431</u>	
Total		117,700	
Less: loss allowance		<u>(23,149)</u>	
Net		<u>\$ 94,551</u>	

KING YUAN ELECTRONICS CO., LTD.
7.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES
December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		\$ 71,659	
MediaTek Inc.		25,708	
Fixwell Technology Corp.		6,951	
Suzhou Zhengkuan Technology Ltd.		5,427	
KYEC Japan K.K.		1,575	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	598	
Total		<u>\$ 111,918</u>	

KING YUAN ELECTRONICS CO., LTD.
8.STATEMENT OF INVENTORIES, NET
December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	market price	
Raw materials		\$ 685,751	\$ 765,877	Inventory are valued at lower of cost and net realized value.
Work in process		178,730	178,730	
Total		864,481	\$ 944,607	
Less: allowance for inventory valuation and obsolescence losses		(90,337)		
Net		\$ 774,144		

KING YUAN ELECTRONICS CO., LTD.
9.STATEMENT OF OTHER CURRENT ASSETS
December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payments on behalf of others		\$ 51,370	
Temporary payments		<u>473</u>	
Total		<u>\$ 51,843</u>	

KING YUAN ELECTRONICS CO., LTD.
10.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME-NON-CURRENT
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Securities Name	Balance, January 1, 2020				Increase in 2020		Decrease in 2020		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2020		Assets pledged as collateral	Note
	Shares	Cost of an investment	Unrealized gain or loss	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair value		
ADL Engineering INC.	210,614	\$ 327,490	\$ (327,490)	\$ -	-	\$ -	-	\$ -	\$ -	210,614	\$ -	N/A	
Shieh Yong Investment Co., Ltd.	57,810,000	500,000	16,835	516,835	-	-	-	-	686,785	57,810,000	1,203,620	N/A	
APM Communication, Inc.	10,456	23,427	(23,427)	-	-	-	-	-	-	10,456	-	N/A	
Greenliant Systems, Ltd.	2,333,333	30,300	(30,300)	-	-	-	-	-	-	2,333,333	-	N/A	
YANN YUAN Investment Co., Ltd.	25,000,000	1,275,000	598,338	1,873,338	-	-	-	-	1,331,022	25,000,000	3,204,360	N/A	
Mcube Inc.	528,745	44,880	(44,880)	-	-	-	-	-	-	528,745	-	N/A	
IROC Co., Ltd.	436,046	15,275	(1,605)	13,670	-	-	-	-	1,504	436,046	15,174	N/A	
Subtron Technology Co., Ltd.	927,147	7,983	3,356	11,339	-	-	-	-	1,604	927,147	12,943	N/A	
CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	11,965,500	45,711	(35,727)	9,984	-	-	-	-	482	11,965,500	10,466	N/A	
Total		<u>\$ 2,270,066</u>	<u>\$ 155,100</u>	<u>\$ 2,425,166</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 2,021,397</u>		<u>\$ 4,446,563</u>		

KING YUAN ELECTRONICS CO., LTD.
11.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2020		Increase in 2020		Decrease in 2020		Investment income (loss)	Cumulative translation adjustment	Capital surplus adjustment	Retained earnings adjustment	Balance, December 31, 2020			Market value or net assets value		Assets pledged as collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	%	Amount	Unit price	Total amount		
KYEC USA Corp.	160,000	\$ 11,732	-	\$ -	-	\$ -	\$ 1,109	\$ (806)	\$ -	\$ -	160,000	100.00%	\$ 12,035	\$ 75.22	\$ 12,035	N/A	
KYEC Investment International Co., Ltd.	164,923,636	4,518,785	-	-	-	-	1,072,053	100,191	-	5	164,923,636	100.00%	5,691,034	34.51	5,691,034	N/A	
KYEC Technology Management Co., Ltd.	7,500,000	287,967	-	-	-	-	68,186	6,345	-	-	7,500,000	100.00%	362,498	48.33	362,498	N/A	
KYEC Japan K.K.	1,899	52,497	-	-	-	-	4,309	22	-	-	1,899	89.83%	56,828	29,924.88	56,828	N/A	
KYEC SINGAPORE PTF. LTD.	78,000	2,024	-	-	-	-	132	(26)	-	-	78,000	100.00%	2,130	27.31	2,130	N/A	
Fixwell Technology Corp	2,800,000	45,305	-	-	-	(8,400)	10,076	-	-	-	2,800,000	23.33%	46,981	16.78	46,981	N/A	Note1
Wei Jiu Industrial Co., Ltd.	1,020,000	19,923	-	-	-	(3,060)	6,012	-	-	-	1,020,000	34.00%	22,875	25.63	22,875	N/A	Note1
King Ding Precision Incorporated Company	6,600,000	74,055	-	-	-	(1,650)	(2,443)	-	-	-	6,600,000	100.00%	69,962	10.69	69,962	N/A	Note1
Subtotal		5,012,288		-		(13,110)	1,159,434	105,726	-	5			6,264,343				
Less:deferred credits		(121,094)		(48,185)		53,102	-	-	-	-			(116,177)				
Total		\$ 4,891,194		\$ (48,185)		\$ 39,992	\$ 1,159,434	\$ 105,726	\$ -	\$ 5			\$ 6,148,166				

Note 1: The decrease amount is due to the cash dividends received.

KING YUAN ELECTRONICS CO., LTD.
12.STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND
ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

A. Please refer to Note 6.(8) for more details of the changes in property, plant and equipment and accumulated depreciation of property, plant and equipment.

B. Please refer to Note 8 for property, plant and equipment under pledges.

C. Details of transfer are as following:

Transferred from prepayments	\$ 60,276
Transferred from right-of-use asset	\$ 32,681
Transferred to intangible assets	\$ -

D. Depreciation expense details are as following:

Operating costs	\$ 6,311,631
Selling expenses	4,098
Administration expenses	393,219
Research and development expenses	100,449
Total	\$ 6,809,397

KING YUAN ELECTRONICS CO., LTD.
13.STATEMENT OF RIGHT-OF-USE ASSETS
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2020	Increase in 2020 (Note)	Decrease in 2020	Transfer in 2020	Balance, December 31, 2020
Acquisition costs					
Land	\$ 471,190	\$ 41,706	\$ -	\$ -	\$ 512,896
Machinery and equipment	774,671	74,695	-	(36,910)	812,456
Total costs	<u>1,245,861</u>	<u>116,401</u>	<u>-</u>	<u>(36,910)</u>	<u>1,325,352</u>
Accumulated depreciation					
Land	\$ 17,242	\$ 18,853	\$ -	\$ -	\$ 36,095
Machinery and equipment	-	102,055	-	(4,229)	97,826
Total accumulated depreciation	<u>17,242</u>	<u>120,908</u>	<u>-</u>	<u>(4,229)</u>	<u>133,921</u>
Book value	<u>\$ 1,228,619</u>	<u>\$ (4,507)</u>	<u>\$ -</u>	<u>\$ (32,681)</u>	<u>\$ 1,191,431</u>

Note: Include remeasurment of lease contracts.

KING YUAN ELECTRONICS CO., LTD.

14.STATEMENT OF INTANGIBLE ASSETS AND OTHER ASSETS-NON-CURRENT

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Intangible assets			\$ <u>80,159</u>	Please refer to Note 6.(9) for more details on intangible assets.
Refundable deposits	Golf club membership deposit	\$ 3,000		
	Car rental deposit	230		
	Others	267	\$ <u>3,497</u>	
Other financial assets-non-current	Customs deposit		\$ <u>115,669</u>	Please refer to Note 8 for more details.

KING YUAN ELECTRONICS CO., LTD.

15.STATEMENT OF NOTES PAYABLE

December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Acer E-enabling Service Business Inc.		\$ 4,285	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	150	
Total		<u>\$ 4,435</u>	

KING YUAN ELECTRONICS CO., LTD.
16.STATEMENT OF ACCOUNTS PAYABLE
December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
FASTPRINT HONGKONG CO., LIMITED		\$ 41,907	
PIN-JET MICROTECH., CO., LTD.		37,132	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	711,355	
Total		<u>\$ 790,394</u>	

KING YUAN ELECTRONICS CO., LTD.
17.STATEMENTS OF PAYABLES TO RELATED PARTIES
December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Wei Jiu Industrial Co., Ltd.		\$ 16,512	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	<u>2,975</u>	
Total		<u>\$ 19,487</u>	

KING YUAN ELECTRONICS CO., LTD.
18.STATEMENT OF OTHER PAYABLES
December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll		\$ 465,311	
Accrued bonuses		445,422	
Accrued employees' compensations and remuneration to directors		433,481	
Accrued accessories expense		348,182	
Accrued utilities expense		105,655	
Accrued labor and health insurance expense		92,619	
Accrued pension expense		32,837	
Accrued repair expense		12,540	
Accrued interest		7,373	
Others		679,688	Note
Total		<u>\$ 2,623,108</u>	

Note : Mainly indirect supplies.

KING YUAN ELECTRONICS CO., LTD.
19.STATEMENT OF OTHER PAYABLES TO RELATED PARTIES
December 31, 2020

(In Thousands of New Taiwan Dollars)

Related parties	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		\$ 233,588	
Fixwell Technology Corp.		46,612	
Wei Jiu Industrial Co., Ltd.		18,013	
KYEC USA Corp.		3,987	
KYEC Japan K.K.		3,052	
Others	The amount of each item in "Others" does not exceed NT\$1,000 thousand.	831	
Total		<u>\$ 306,083</u>	

KING YUAN ELECTRONICS CO., LTD.
20.STATEMENT OF PAYABLES TO EQUIPMENT SUPPLIERS
December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Xcerra Corporation		\$ 82,838	
Teradyne (Asia) Pte Ltd.		76,341	
JIU HAN ENGINEERING CO., LTD.		58,954	
HON. PRECISION, INC.		54,447	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	222,056	
Total		<u>\$ 494,636</u>	

KING YUAN ELECTRONICS CO., LTD.
21.STATEMENT OF LEASE LIABILITIES
December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	Balance, December 31, 2020	Note
Land		6 to 28 years	1.88%	\$ 484,815	The Company considers the possibility to exercise the purchase option at the end of lease term.
Machinery and equipment		1 to 2 year	0.74%~1.76%	<u>353,421</u>	
				838,236	
Less: current portion				<u>(304,358)</u>	
Lease liabilities-non-current				<u>\$ 533,878</u>	

KING YUAN ELECTRONICS CO., LTD.
22.STATEMENT OF OTHER CURRENT LIABILITIES
December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts on behalf of others		\$ 380,535	
Allowance for sales returns and discounts		194,956	
Temporary receipts		1,626	
Unearned receipts		<u>1,623</u>	
Total		<u><u>\$ 578,740</u></u>	

KING YUAN ELECTRONICS CO., LTD.
23.STATEMENT OF LONG-TERM LOANS
December 31, 2020

(In Thousands of New Taiwan Dollars)

Creditor	Description	Loan amount	Contract period	Range of interest rates	Terms of repayment	Note
Shanghai Commerical Bank	Unsecured loans	\$ 911,360	2020.03.19~2023.03.19	0.83%	Please refer to Note 6.(12) for more details.	Please refer to Note 8 for more details on collateral.
Shanghai Commerical Bank	Unsecured loans	375,105	2020.03.27~2022.03.27	0.83%~0.92%		
Taishin Bank	Unsecured loans	1,300,000	2020.02.07~2023.02.07	1.09%		
Mega Bank	Unsecured loans	313,280	2020.09.19~2022.09.18	0.70%		
Land Bank	Unsecured loans	170,880	2020.03.03~2022.03.03	0.80%		
First Commercial Bank	Unsecured loans	12,463	2020.07.20~2022.07.20	0.74%		
MUFG Bank	Unsecured loans	56,960	2020.12.04~2022.12.04	0.75%		
Bank of China	Unsecured loans	712,000	2020.10.15~2022.10.14	0.60%~0.79%		
Taiwan Business Bank	Unsecured loans	541,120	2020.03.11~2022.03.11	0.50%~0.57%		
Cathay United Bank	Unsecured loans	227,840	2020.12.25~2022.12.25	0.66%		
HSBC Taiwan Bank	Unsecured loans	703,485	2020.10.27~2022.10.27	0.83%~0.88%		
Shin Kong Commerical Bank	Unsecured loans	284,800	2020.01.31~2022.12.11	0.71%		
Mizuho Bank	Unsecured loans	500,000	2021.01.01~2023.01.01	0.72%		
KGI Bank	Unsecured loans	400,000	2020.07.15~2024.07.15	0.99%		
O Bank	Unsecured loans	300,000	2020.02.07~2025.02.07	1.09%		
Mega Bank	Unsecured loans	680,000	2020.02.07~2025.02.07	1.08%		
Chang Hwa Commercial Bank	Unsecured loans	695,000	2020.01.20~2025.01.20	1.11%		
Fubon Bank	Unsecured loans	800,000	2020.02.07~2023.02.07	1.14%		
Bank of Taiwan	Unsecured loans	1,200,000	2020.01.20~2024.01.20	1.12%		
First Bank	Unsecured loans	895,497	2020.01.20~2025.01.20	1.16%		
Far Eastern Bank	Unsecured loans	1,100,000	2020.02.07~2023.02.07	1.02%		
CTBC Bank	Unsecured loans	300,000	2020.02.07~2024.02.07	1.19%		
Mega Bank and 17 others (Note 1)	Commercial Paper	5,680,000	2018.12.07~2023.12.06	1.26%		
Mega Bank and 13 others (Note 2)	Commercial Paper	200,000	2020.10.12~2025.10.11	1.15%		
Total		18,359,790				
Less: current portion		-				
Less: arrangement fee		(30,725)				
Less: unamortized discount		(10,767)				
Long-term loans		<u>\$ 18,318,298</u>				

Note1: The Company entered into a syndicated loan agreement in the amount of 14.2 billion with 17 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, CTBC Commercial Bank, Bank of Taiwan, Land Bank of Taiwan, O Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, First Commercial Bank, Cathay United Commercial Bank, Hua Nan Commercial Bank, Shin Kong Commercial Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, KGI Commercial Bank, and Bank of Panhsin.

Note2: The Company entered into a syndicated loan agreement in the amount of 12 billion with 13 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, First Commercial Bank, Hua Nan Commercial Bank, Shanghai Commerical Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, Far Eastern Bank, Taiwan Business Bank, Shin Kong Commercial Bank, Agricultural Bank of Taiwan.

KING YUAN ELECTRONICS CO., LTD.

24.STATEMENT OF REVENUES

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Assembly and testing processing revenues		\$ 19,666,024	
Revenues from rental of machinery		1,869,046	
Rental income from property		105,287	
Other operating revenues		<u>1,704,401</u>	
Total revenues		<u>\$ 23,344,758</u>	

KING YUAN ELECTRONICS CO., LTD.
25.STATEMENT OF COSTS OF GOODS SOLD
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Costs of goods sold			
Raw materials used			
Balance, beginning of the year		\$ 716,449	
Add: purchase		2,650,461	
Less: indirect consumables		(96,784)	
Less: transfer to other expenses		(446,249)	
Less: loss of inventory scrap		(3,931)	
Less: sale of raw materials		(57,797)	
Less: ending balance of the year		(685,751)	
Current consumption		2,076,398	
Direct labor		2,138,574	
Manufacturing overhead		13,706,654	
Manufacturing costs		17,921,626	
Add: work in process, beginning of the year		211,601	
Add: purchase for production consumables		66,992	
Less: transfer to other repair expenses		(235,121)	
Less: transfer to unfinished working orders		37,147	
Less: work in process, end of the year		(178,730)	
Cost of finished goods		17,823,515	
Add: finished goods, beginning of the year		-	
Less: finished goods, end of the year		-	
Less: transfer to processing costs		(14,911,034)	
Less: transfer to property, plant and equipments		(643,429)	
Less: transfer to others		(3,242)	
Costs of goods sold		2,265,810	
Processing costs		14,911,034	
Sale of raw materials		57,797	
Loss of inventory scrap		3,931	
Inventory valuation and obsolescence loss		42,208	
Operating costs		<u>\$ 17,280,780</u>	

KING YUAN ELECTRONICS CO., LTD.
26.STATEMENT OF MANUFACTURING OVERHEAD
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Depreciation		\$ 6,311,631	
Indirect labor		2,660,711	
Repairs and maintenance		1,607,827	
Utilities expense		1,202,283	
Consumable materials		982,475	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	941,727	
Total		<u>\$ 13,706,654</u>	

KING YUAN ELECTRONICS CO., LTD.
27.STATEMENT OF SELLING EXPENSES
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 163,867	
Commission expense		99,387	
Import and export costs		27,560	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	68,190	
Total		<u>\$ 359,004</u>	

KING YUAN ELECTRONICS CO., LTD.
28.STATEMENT OF ADMINISTRATIVE EXPENSES
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 575,782	
Depreciation		393,219	
Repairs and maintenance		104,598	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	312,782	
Total		<u>\$ 1,386,381</u>	

KING YUAN ELECTRONICS CO., LTD.
29.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 380,310	
Indirect consumables		309,957	
Depreciation		100,449	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	119,216	
Total		<u>\$ 909,932</u>	

30. Note 6.(18) for more details on employee benefit, accumulated depreciation, and amortization.