

Action Electronics CO., LTD. & Its Subsidiaries  
Consolidated Financial Statements and Independent  
Auditor's Report for the Years Ended December 31<sup>st</sup>,  
2020 and 2019

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

## Consolidated Financial Statements of Affiliated Enterprises

The entities that are required to be included in the Consolidated Financial Statements of Action Electronics Co., Ltd. as of and for the year ended December 31<sup>st</sup>, 2020, under the Criteria Governing Preparations of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the Consolidated Financial Statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the Consolidated Financial Statements is included in the Consolidated Financial Statements. Consequently, Action Electronics Co., Ltd. and subsidiaries do not prepare a separate set of Consolidated Financial Statements.

Company Name: Action Electronics Co., Ltd.

Chairman: Peng Ting-Yu

Date: March 29<sup>th</sup>, 2021

Action Electronics Co., Ltd.

## **Audit Opinion**

We have audited the accompanying Consolidated Financial Statement of Action Electronics company limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31<sup>st</sup>, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes of the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31<sup>st</sup>, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards(IFRS), International Accounting Standards(IAS), IFRIC Interpretations (IFRIC), and SIC interpretations(SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of

most significance in our audit of the consolidated financial statements for the year ended December 31<sup>st</sup>, 2020. These matters were addressed in the context of our audit of the consolidated financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31<sup>st</sup>, 2020 are stated as follows:

Asset depreciation assessment

For the accounting policy of asset depreciation, please refer to notes 4(8) and 4(13) of the consolidated financial statements; for the uncertainty of accounting estimates and assumptions of asset depreciation, please refer to note 5 of the consolidated financial statement; please refer to the consolidated financial statement for the description of asset depreciation accounting items. The statement notes 6(10), 6(11), and 6(14)

Using equity method on investment, real estate, plant and equipment, and the investment on real estate represents the amount of relevant assets expected to be recovered by the management under the conditions of sustainable operation in each future period. The management is at each balance sheet date. It should be assessed whether there are any signs that the referred assets may have been depreciated. If there are any signs of depreciation, the recoverable amount of the asset needs to be estimated. If the recoverable amount of an individual asset cannot be estimated, the management should estimate the recoverable amount of the cash-generating unit to which the asset belongs. Since the calculation of the recoverable amount involves many assumptions and estimates, the process is inherently highly uncertain, and the asset depreciation assessment is named as one of the key audit items this year.

We have performed main auditing procedures as follows:

1. To understand the relevant policies and processing procedures of the company and its subsidiaries for depreciation evaluation, and assess the cash-generating units recognized by the management that can be reduced and the signs of internal and external depreciations.
2. To consider whether all assets that require annual depreciation testing have been fully incorporated into the management evaluation process.
3. To assess the applicability of the evaluation methods which are used by the

management to measure the recoverable amount.

4. For the recoverable amount definite by the independent evaluation report issued by the third party appointed by the company and its subsidiaries, review the reasonableness of relevant assumptions and evaluate the qualification and independence of the appraiser to confirm the fair value.
5. To assess the uncertainty issues and related assumptions involved in the process of evaluating loss of depreciation, and consider whether the relevant disclosures of the company and its subsidiaries are sufficiently presented.

#### Recognition of income

For accounting policies on revenue recognition, please refer to note 4(16) of the consolidated financial report; for description of accounting items, please refer to note 6(29) of the consolidated financial statements.

The income of the company and its subsidiaries is mainly recognized based on the rewards of transferring product risks, which affect the company's annual profit and loss directly. The company and its subsidiaries shall recognize the rewards on transferring of commodity risks in order to recognize income based on their trading conditions. Therefore, the revenue recognition period and recognized amount are named as those of key audit items.

Below listed main auditing procedures performed by us:

1. To understand and test the company and its subsidiaries' internal control relating to the recognition of sales revenue of
2. To understand the income types and trading conditions of the company and its subsidiaries to assess whether the accounting policies at the time of income recognition are appropriate.
3. By sampling method, test the sales transactions of the company and its subsidiaries before and after the balance sheet date to understand the period of income attribution and whether significant sales returns and discounts have occurred through the process.

#### **Other matters**

Among enlisted consolidated financial statements of the company regarding the financial statements of the subsidiary ACTION INDUSTRIES(M) SDN. BHD. was

audited by other CPA. Therefore, among the opinions provided by us regarding the amount mentioned in the financial statements of its subsidiaries are in accordance with other auditors' opinion. The total assets of the subsidiary as of December 31st, 2020 was NT\$290,518,000 dollars accounting for 8% of the total consolidated assets; the operating income from January 1 to December 31st, 2020 was NT\$180,163,000 dollars, accounting for 14% of the consolidated operating income.

The company has prepared individual financial reports for the 2020 and 2019, and the audit report with unqualified opinions and other matters issued by the accountant is recorded for reference.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with the regulations governing the preparation of financial statements by securities issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the financial supervisory commission of the republic of china, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the audit committee) are responsible for overseeing the company's financial reporting process.

### **Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

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

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

6. Obtain sufficient appropriated audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Baker Tilly Clock & Co

CPA: \_\_\_\_\_

Hsin-Liang Wu, CPA

CPA: \_\_\_\_\_

Li-Chen Peng, CPA

Approval number: FSC NO. 09600000880

FSC Review NO.1050025873

March 29<sup>th</sup>, 2021

**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Balance Sheets**

(Expressed in Thousands of New Taiwan Dollars)

		December 31.2020		December 31.2019	
		Amount	%	Amount	%
<b>Assets</b>					
<b>Current assets</b>					
1100	Cash and cash equivalents	520,648	14	568,389	16
1110	Current financial assets at fair value through profit or loss	2,893	-	2,898	-
1120	Current financial assets at fair value Through other comprehensive income	87,312	2	-	-
1136	Current financial assets at amortized cost	125,924	3	131,066	3
1150	Notes receivable, net	12,736	-	12,853	-
1170	Accounts receivable, net	110,354	3	135,978	4
1200	Other receivables	38,278	1	78,523	2
130X	Inventories	313,192	9	328,550	9
1410	Prepayments	53,510	1	49,040	1
1460	Disposal group held for sale	99,679	3	-	-
1470	Other current assets	38,956	1	9,766	-
<b>11XX</b>	<b>Total current assets</b>	<b>1,403,482</b>	<b>37</b>	<b>1,317,063</b>	<b>35</b>
<b>Non-current assets</b>					
1517	Non-current financial assets at fair value through other comprehensive income	-	-	115,617	3
1550	Investments accounted for using equity method	540,091	15	536,155	15
1600	Property, plant and equipment	176,803	5	281,167	8
1755	Right-of-use assets	42,553	2	49,365	1
1760	Investment property, net	1,135,512	30	1,013,119	27
1780	Intangible assets	225,771	6	239,868	6
1840	Deferred tax assets	170,242	5	206,256	5
1900	Other non-current assets	15,250	-	9,377	-
<b>15XX</b>	<b>Total non-current assets</b>	<b>2,306,222</b>	<b>63</b>	<b>2,450,924</b>	<b>65</b>
<b>1XXX</b>	<b>Total assets</b>	<b>3,709,704</b>	<b>100</b>	<b>3,767,987</b>	<b>100</b>

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**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Balance Sheets**

(Expressed in Thousands of New Taiwan Dollars)

		December 31.2020		December 31.2019	
		Amount	%	Amount	%
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
2100	Short-term loans	531,049	14	552,523	15
2130	Current contract liabilities	23,694	1	15,546	-
2150	Notes payable	3,822	-	2,768	-
2170	Accounts payable	109,710	3	103,901	3
2200	Other payables	135,598	4	147,091	4
2230	Current tax liabilities	3,892	-	4,412	-
2250	Current provisions	21,193	1	9,633	-
2260	Liabilities related to disposal group held for sale	6,497	-	-	-
2280	Current lease liabilities	19,405	-	15,373	-
2300	Other current liabilities	37,219	1	25,460	1
<b>21XX</b>	<b>Total current liabilities</b>	<b>892,079</b>	<b>24</b>	<b>876,707</b>	<b>23</b>
<b>Non-current liabilities</b>					
2550	Non-current provisions	6,241	-	14,914	-
2570	Deferred tax liabilities	124,047	3	150,616	4
2580	Non-current lease liabilities	18,333	-	28,414	1
2600	Other non-current liabilities	20,418	1	18,512	1
2640	Net defined benefit liability, non-current	34,362	1	35,588	1
<b>25XX</b>	<b>Total non-current liabilities</b>	<b>203,401</b>	<b>5</b>	<b>248,044</b>	<b>7</b>
<b>2XXX</b>	<b>Total liabilities</b>	<b>1,095,480</b>	<b>29</b>	<b>1,124,751</b>	<b>30</b>
<b>Equity</b>					
3110	Share capital-common stock	2,771,575	75	2,771,575	74
3200	Capital surplus	1,602	-	259	-
Retained earnings					
3310	Legal capital reserve	20,301	-	14,828	-
3320	Special capital reserve	204,418	6	204,418	6
3350	Unappropriated earnings	69,785	2	92,531	2
3400	Other equity interest	(448,971)	(12)	(439,918)	(12)

(Continued)

**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Balance Sheets**

(Expressed in Thousands of New Taiwan Dollars)

		December 31.2020		December 31.2019	
		Amount	%	Amount	%
31XX	Total equity attributable to owners of the parent	2,618,710	71	2,643,693	70
36XX	Non-controlling interests	(4,486)	-	(457)	-
<b>3XXX</b>	<b>Total equity</b>	<b>2,614,224</b>	<b>71</b>	<b>2,643,236</b>	<b>70</b>
<b>3X2X</b>	<b>Total liabilities and equity</b>	<b>3,709,704</b>	<b>100</b>	<b>3,767,987</b>	<b>100</b>

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

**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		December 31.2020		December 31.2019	
		Amount	%	Amount	%
4000	Operating revenue	1,280,877	100	1,340,594	100
5000	Operating costs	(980,541)	(77)	(1,020,242)	(76)
<b>5900</b>	<b>Gross profit (loss) from operations</b>	<b>300,336</b>	<b>23</b>	<b>320,352</b>	<b>24</b>
<b>Operating expenses</b>					
6100	Selling expenses	(82,352)	(6)	(101,483)	(7)
6200	Administrative expenses	(154,238)	(12)	(194,043)	(15)
6300	Research and development expenses	(31,584)	(2)	(29,341)	(2)
6450	Impairment gain determined in accordance with IFRS 9	11,899	-	12,108	1
<b>6000</b>	<b>Total operating expenses</b>	<b>(256,275)</b>	<b>(20)</b>	<b>(312,759)</b>	<b>(23)</b>
<b>6900</b>	<b>Net operating income (loss)</b>	<b>44,061</b>	<b>3</b>	<b>7,593</b>	<b>1</b>
<b>7000</b>	<b>Non-operating income and expenses</b>				
7100	Interest income	3,267	-	5,667	-
7010	Other income	51,753	4	52,177	4
7020	Other gains and losses	(16,917)	(1)	9,577	1
7050	Finance costs	(10,486)	(1)	(15,658)	(1)
7055	Impairment gain determined in accordance with IFRS 9	7,248	1	2,057	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	(4,945)	-	1,170	-
	<b>Total non-operating income and expenses</b>	<b>29,920</b>	<b>3</b>	<b>54,990</b>	<b>4</b>
<b>7900</b>	<b>Income from continuing operations before tax</b>	<b>73,981</b>	<b>6</b>	<b>62,583</b>	<b>5</b>
7950	Income tax expense	(37,194)	(3)	(15,915)	(1)
<b>8000</b>	<b>Income from continuing operations</b>	<b>36,787</b>	<b>3</b>	<b>46,668</b>	<b>4</b>
8100	Income from discontinued operations	6,711	-	1,902	-
<b>8200</b>	<b>Net Income</b>	<b>43,498</b>	<b>3</b>	<b>48,570</b>	<b>4</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
8310					
8311	Remeasurement of defined benefit plans	(2,992)	-	(992)	-

(Continued)

**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		December 31.2020		December 31.2019	
		Amount	%	Amount	%
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(28,305)	(2)	57,783	4
8349	Income tax related to items that will not be reclassified to profit or loss	598	-	199	-
		(30,699)	(2)	56,990	4
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation	23,977	2	(58,024)	(4)
8399	Income tax related to items that may be reclassified to profit or loss	(4,813)	-	11,614	-
		19,164	2	(46,410)	(4)
<b>8300</b>	<b>Other comprehensive loss for the year</b>	(11,535)	0	10,580	0
<b>8500</b>	<b>Total comprehensive income</b>	31,963	3	59,150	4
<b>Net income attributable to:</b>					
8610	Shareholders of the parent	46,096	3	54,736	4
8620	Non-controlling interests	(2,598)	-	(6,166)	-
		\$ 43,498		\$ 48,570	
<b>Total comprehensive income attributable to:</b>					
8710	Shareholders of the parent	34,649	3	65,268	4
8720	Non-controlling interests	(2,686)	-	(6,118)	-
		\$ 31,963		\$ 59,150	
<b>Earnings per share (in New Taiwan Dollars)</b>					
<b>From continuing and discontinued operations</b>					
9750	Basic earnings per share	\$ 0.17		\$ 0.20	
9850	Diluted earnings per share	\$ 0.17		\$ 0.20	
<b>From continuing operations</b>					
9710	Basic earnings per share	\$ 0.15		\$ 0.19	
9810	Diluted earnings per share	\$ 0.15		\$ 0.19	

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

**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the parent							Total	Non-controlling interests	Total equity
	Retained earnings				Others					
	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Foreign currency translation reserve	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
Balance at January 1, 2019	\$2,771,575	\$259	\$0	\$204,418	\$142,106	(\$443,077)	(\$8,166)	\$2,667,115	\$4,801	\$2,671,916
Appropriations of earnings										
Legal capital reserve			14,828		(14,828)			0		0
Cash dividends to shareholders					(88,690)			(88,690)		(88,690)
Net Income in 2019					54,736			54,736	(6,166)	48,570
Other comprehensive income in 2019					(793)	(46,458)	57,783	10,532	48	10,580
Total comprehensive income in 2019	0	0	0	0	53,943	(46,458)	57,783	65,268	(6,118)	59,150
Increase in non-controlling interests								0	860	860
<b>Balance at December 31, 2019</b>	<b>\$2,771,575</b>	<b>\$259</b>	<b>\$14,828</b>	<b>\$204,418</b>	<b>\$92,531</b>	<b>(\$489,535)</b>	<b>\$49,617</b>	<b>\$2,643,693</b>	<b>(\$457)</b>	<b>\$2,643,236</b>

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**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the parent							Total	Non-controlling interests	Total equity
	Retained earnings				Others					
	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Foreign currency translation reserve	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
							Total			
Balance at January 1, 2020	\$2,771,575	\$259	\$14,828	\$204,418	\$92,531	(\$489,535)	\$49,617	\$2,643,693	(\$457)	\$2,643,236
Appropriations of earnings										
Legal capital reserve			5,473		(5,473)			0		0
Cash dividends to shareholders					(60,975)			(60,975)		(60,975)
Net Income in 2020					46,096			46,096	(2,598)	43,498
Other comprehensive income in 2020					(2,394)	19,252	(28,305)	(11,447)	(88)	(11,535)
Total comprehensive income in 2020	0	0	0	0	43,702	19,252	(28,305)	34,649	(2,686)	31,963
Changes in percentage of ownership in subsidiaries		1,343						1,343	(1,343)	0
<b>Balance at December 31, 2020</b>	<b>\$2,771,575</b>	<b>\$1,602</b>	<b>\$20,301</b>	<b>\$204,418</b>	<b>\$69,785</b>	<b>(\$470,283)</b>	<b>\$21,312</b>	<b>\$2,618,710</b>	<b>(\$4,486)</b>	<b>\$2,614,224</b>

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

**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Profit from continuing operations before tax	73,981	62,583
Profit from discontinued operations before tax	6,711	1,902
Profit before tax	80,692	64,485
Adjustments for :		
Depreciation expense	61,574	58,496
Amortization expense	8,567	8,064
Expected credit losses	(19,147)	(14,165)
Net loss (gain) on financial assets at fair value through profit or loss	5	(136)
Interest expense	10,486	15,658
Interest income	(3,383)	(5,742)
Dividend income	(7,650)	(4,244)
Share of loss (profit) of associates accounted for using equity method	4,945	(1,170)
Loss (gain) on disposal of property, plant and equipment	(526)	72
Loss (gain) on disposal of investment properties	(2,683)	-
Loss (gain) on disposal of investments	(78)	(71)
Impairment loss on non-financial assets	7,714	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	78	2,194
Notes receivable	117	1,264
Accounts receivable	32,547	80,364
Other receivable	47,581	23,540
Inventories	11,189	32,260
Prepayments	(5,987)	(5,733)
Other current assets	(9,311)	(3,622)
Contracts liabilities	8,148	2,207
Notes payable	1,054	(2,374)
Accounts payable	7,353	15,659
Other payable	(5,561)	(179)
Provisions for liabilities	(1,775)	947
Other current liabilities	14,791	6,687
Net defined benefit liability	(3,620)	(1,164)

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**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash generated from operations	237,120	273,297
Interest received	3,383	7,097
Dividends received	7,650	4,244
Interest paid	(9,439)	(14,630)
Income taxes paid	(32,272)	(14,418)
Net cash generated by operating activities	<u>206,442</u>	<u>255,590</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial assets at amortized cost	(83,200)	(131,066)
Proceeds from disposal of financial assets at amortized cost	87,534	205,696
Cash flow from acquisition of subsidiaries	-	(6,957)
Acquisition of property, plant and equipment	(5,758)	(22,832)
Proceeds from disposal of property, plant and equipment	571	69
Increase in refundable deposits	(4,703)	(272)
Decrease in refundable deposits	2,861	153
Acquisition of intangible assets	(705)	(368)
Acquisition of investment properties	(117,776)	(7,678)
Proceeds from disposal of investment properties	3,682	-
Increase in other financial assets	(173,230)	(173,041)
Decrease in other financial assets	157,560	195,855
Increase in other non-current assets	(1,407)	(1,273)
Increase in prepayments for business facilities	-	(2,507)
Net cash used in investing activities	<u>(134,571)</u>	<u>55,779</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans	(19,536)	(177,560)
Repayments of long-term debt	-	(68,872)
Increase in guarantee deposits	5,715	-
Decrease in guarantee deposits	(4,061)	(2,432)
Repayments of the principal portion of lease liabilities	(19,872)	(15,021)
Cash dividends paid	(60,975)	(88,690)
Increase (decrease) in non-controlling interests	-	860
Net cash used in financing activities	<u>(98,729)</u>	<u>(351,715)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(6,361)</u>	<u>(5,866)</u>
Net increase (decrease) in cash and cash equivalents	<u>(33,219)</u>	<u>(46,212)</u>

(Continued)

**Action Electronics Co., LTD. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Expressed in Thousands of New Taiwan Dollars)

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents at beginning of period	568,389	614,601
Cash and cash equivalents at end of period	535,170	568,389
Adjustments for cash and cash equivalents at end of period :		
Carrying amount of cash and cash equivalents	520,648	568,389
Cash and cash equivalents reclassified to disposal group held for sale	14,522	-
Cash and cash equivalents at end of period	535,170	568,389

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

**\*The financial statements are made out in both English and Chinese versions. We hereby set Chinese version as standard and English version as a reference should any conflicts accrued.**

Action Electronics Co., Ltd. & its Subsidiaries

Notes to the Consolidated Financial Report

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, except as otherwise indicated)

1. Company History

Action Electronics Co., Ltd. (hereinafter referred to as the company) was established on July 21<sup>st</sup>, 1976 and was converted from an over-the-counter trading center to a listed company in August, 2002. The company and its subsidiaries (hereinafter referred to as the "consolidated company") are mainly engaged in the business of sales, maintenance and installation services of various household appliances; the manufacturing, processing and trading of audio-visual electronic products; warehousing services, etc.

This Consolidated Financial Report is expressed in NTD, the company's functional currency.

2. The date and procedures for approving the financial report

This Consolidated Financial Report was approved by the board of directors on March 29<sup>th</sup>, 2021.

3. Application of newly issued and revised standards and interpretations:

(1) The impact of adopting the newly issued and revised International Financial Reporting Standards approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC")

The following table sets forth the standards and interpretations of the new issuances, amendments and amendments to the International Financial Reporting Standards applicable to 2020 recognized by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 1 and IAS 8 "Disclosure of Materiality Definition"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020 (Note)

The consolidated company has assessed that the above standards and interpretations have no significant impact on the financial status and financial performance of the consolidated

company.

(2) The impact of the newly issued and revised International Financial Reporting Standards that have not yet been adopted by the FSC

The following table summarizes the newly issued, revised, and revised standards and interpretations of the International Financial Reporting Standards approved by the FSC in 2021

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

The consolidated company has assessed that the above standards and interpretations have no significant impact on the financial status and financial performance of the consolidated company.

(3) The impact of the International Financial Reporting Standards that have been issued by the International Accounting Standards Board but have not yet been approved by the FSC

The following table sets forth the new issuance, amendment and revision standards and interpretations that have been issued by the International Accounting Standards Board but have not yet been included in the International Financial Reporting Standards recognized by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

The consolidated company has assessed that the above standards and interpretations have no significant impact on the financial status and financial performance of the consolidated company.

#### 4. Summary of Major Accounting Policies

A summary of the important accounting policies of the consolidated company is as follows:

##### (1) Compliance Statement

This consolidated Financial Report is prepared in accordance with the financial reporting standards for securities issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretation Announcements (hereinafter referred to as IFRSs) approved by the Financial Supervisory Commission.

##### (2) Preparation Basis

Except for the financial instruments measured at fair value and the current value of the defined benefit obligations minus the net defined benefit liabilities recognized at the fair value of the planned assets, this Consolidated Financial Report is prepared on the historical cost basis.

The preparation of financial reports that comply with IFRSs requires the use of some important accounting estimates. In the process of applying the accounting policies of the amalgamating company, management also requires the use of its judgment, involving highly judged or complicated items, or involving major assumptions and estimates of the consolidated financial report. For items, please refer to Note 5 for instructions.

##### (3) Consolidation Basis

###### 1. Principles for Preparing Consolidated Financial Reports

This Consolidated Financial Report includes the financial reports of the company and the entities (subsidiaries) controlled by the company.

The consolidated income statement has included the operating profit and loss of the

acquired or sanctioned subsidiary company in the current period from the date of acquisition or until the date of disposal.

The financial reports of the subsidiaries have been adjusted to make their accounting policies consistent with the accounting policies of the consolidated company.

When preparing the Consolidated Financial Report, all transactions, account balances, income and expenses between each entity have been eliminated.

The total consolidated profit and loss of the subsidiary is attributable to the owners and non-controlling interests of the company, even if the non-controlling interests become the loss balance.

When the consolidated company's changes in the ownership and equity of the subsidiary do not result in the loss of control, it is treated as an equity transaction. The carrying amount of the consolidated company and non-controlling interests has been adjusted to reflect changes in its relative equity in the subsidiary. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity and attributable to the owners of the company.

When the consolidated company loses control of the subsidiary, the disposition profit and loss is the difference between the following two: (1) The fair value of the consideration received and the remaining investment in the former subsidiary are counted on the basis of the fair value on the date of loss of control, and (2) The assets (including goodwill), liabilities, and non-controlling interests of the former subsidiary are counted together at the book value on the day when the control is lost. The accounting treatment of the consolidated company for all the amounts recognized in other comprehensive profits and losses related to the subsidiary is the same as the basis for the consolidated company to directly dispose of related assets or liabilities.

## 2. Subsidiaries included in the Consolidated Financial Report

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%)		Note
			December 31, 2020	December 31, 2019	
ACTION ELECTRONICS CO., LTD. (ACN)	ACTION ASIA LTD. (AAL)	Holding and investment activities.	61.54	61.54	—
ACTION ELECTRONICS CO., LTD. (ACN)	ALMOND GARDEN CORP.	Holding and investment activities.	100.00	100.00	—
ACTION ELECTRONICS CO., LTD. (ACN)	REALISE TECH-SERVICE CO., LTD. (RLS)	Maintenance service of electronics.	100.00	100.00	—
ACTION ELECTRONICS CO., LTD. (ACN)	ACTION ASIA DEVELOPMENT IND CO., LTD. (AAD)	Lease construction and development of residence, buildings and business plant.	100.00	100.00	—

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%)		Note
			December 31, 2020	December 31, 2019	
ACTION ASIA LTD. (AAL)	ACTION INDUSTRIES(M) SDN. BHD. (AMP)	Manufacturing and selling of automotive LCD.	100.00	100.00	(1)
ACTION ASIA LTD. (AAL)	SHANGHAI ACTION TECHNOLOGY CO., LTD. (ASJ)	Warehouse service	100.00	100.00	—
ACTION ASIA LTD. (AAL)	ACTION ASIA (SHENZHEN) CO., LTD. (AAS) AND ITS SUBSIDIARIES	Researching, manufacturing and selling of electronics and accessories.	100.00	100.00	—
ACTION ASIA (SHENZHEN) CO., LTD. (AAS)	ACTION INTELLIGENT (SHENZHEN) CO., LTD. (AIS)	Researching and selling of intelligent electronics.	100.00	100.00	—
ACTION ASIA (SHENZHEN) CO., LTD. (AAS)	ATZ ELECTRONICS CO., LTD. (ATZ)	Researching, manufacturing and selling of automotive electronics and accessories.	51.00	51.00	—
ACTION INDUSTRIES(M) SDN. BHD. (AMP)	ACTION-TEK SDN BHD. (ATK)	Researching of consumer electronics.	100.00	100.00	—
ALMOND GARDEN CORP.	ASD ELECTRONICS LIMITED (ASD)	Researching and selling activities.	100.00	100.00	—
ALMOND GARDEN CORP.	ACTION ASIA LTD. (AAL)	Holding and investment activities.	38.46	38.46	—
ALMOND GARDEN CORP.	ACTION TECHNOLOGY (JIAN) CO., LTD. (ATJ)	Plant leasing service.	100.00	100.00	(2)
ALMOND GARDEN CORP.	ACTION COMMERCIAL AND TRADING (SHANGHAI) CO., LTD.	LCD TV product	100.00	100.00	—

(1) ACTION INDUSTRIES(M) SDN. BHD. will be included in this consolidated report on December 31<sup>st</sup>, 2020 as a financial report verified by other accountants.

(2) On March 29<sup>th</sup>, 2021, the board of directors decided to dispose of 100% equity of ACTION TECHNOLOGY (JIAN) CO., LTD. held by ALMOND GARDEN CORP., its subsidiary company. This Consolidated Financial Report has listed the relevant assets and liabilities of ACTION TECHNOLOGY (JIAN) CO., LTD. as of December 31<sup>st</sup>, 2020 in the disposal group held for sale. At the same time, the business activities of the current year are classified as the profit and loss of discontinued units in the consolidated comprehensive income statement., And in accordance with International Financial Standards No. 5 Communique, the 2019 consolidated comprehensive income statement was re-compiled.

3. Subsidiaries not listed in the consolidated financial report: no such situation.

4. Different adjustments and treatment methods of subsidiary accounting period: no such situation.

5. Major restrictions: No such situation.

6. Subsidiaries with non-controlling interests that are material to the consolidated company: no such situation.

(4) Standards for distinguishing between current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets; assets that do not belong to current assets are classified as non-current assets:
  - (1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.
  - (2) Holders mainly for trading purposes.
  - (3) Expected to be realized within twelve months after the balance sheet date.
  - (4) Cash or cash equivalents, except for those restricted in exchange or used to settle liabilities at least twelve months after the balance sheet date.
2. Liabilities that meet one of the following conditions are classified as current liabilities; those that do not belong to current liabilities are classified as non-current liabilities:
  - (1) Those expected to be settled during the normal business cycle.
  - (2) Holders mainly for trading purposes.
  - (3) Expected to be settled within twelve months after the balance sheet date.
  - (4) The settlement period cannot be unconditionally deferred to at least twelve months after the balance sheet date. The terms of the liability, which may be settled by the issuance of equity instruments based on the choice of the counterparty, do not affect its classification.

#### (5) Foreign Currency

When each entity prepares financial reports, those who trade in currencies other than the individual's functional currency (foreign currency) are converted into functional currency records based on the exchange rate on the transaction day.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. The exchange difference arising from the delivery of monetary items or the conversion of monetary items is recognized in the profit and loss in the current period.

Foreign currency non-monetary items measured by fair value are converted at the exchange rate on the day when the fair value is determined, and the resulting conversion difference is listed in the current profit and loss. However, if the fair value change is recognized in other comprehensive gains and losses, the resulting conversion difference is listed in other comprehensive profit and loss.

Non-monetary items in foreign currencies measured by historical cost are converted at the exchange rate on the transaction date and will not be converted again.

When preparing the consolidated financial report, the assets, and liabilities of foreign operating organizations (including subsidiaries and affiliates in countries where they operate or in currencies different from those of the company) are converted into NTD at the exchange rate on each balance sheet date. The income and expense items are converted at the average exchange rate of the current period, and the resulting conversion differences are listed in other comprehensive income and losses and are accumulated in the foreign operating institution's financial statements under equity.

If the consolidated company disposes of all the equity of the foreign operating organization, or disposes of part of the equity of the foreign operating organization's subsidiary but loses control, or the retained equity after the disposal of the foreign operating organization's affiliated company is a financial asset and shall be handled in accordance with the accounting policy of financial instruments, all accumulated exchange differences attributable to the owner of the company and related to the foreign operating organization will be reclassified to profit and loss.

If the partial disposal of a subsidiary of a foreign operating organization does not result in the loss of control, the accumulated exchange difference is re-attributed to the subsidiary's non-controlling interests in proportion and is not recognized as profit or loss. In the event that a significant influence remains after the disposal of the affiliated company of the foreign operating organization, the accumulated exchange difference will be reclassified to profit and loss based on the disposal ratio.

#### (6) Inventory

Inventory is evaluated based on the lower of cost and net realizable value. Inventory is calculated based on the weighted average method. Net realizable value refers to the balance of the estimated selling price minus the estimated costs and sales expenses that need to be invested in completion of the project.

#### (7) Disposal Group Held For Sale

The book value of the disposal group is classified as held for sale when it is expected to be mainly recovered through sale transactions rather than continued use. The subgroups that meet this classification must be available for immediate sale in their current state, and their sale must be highly probable. When the appropriate level of management commits to the plan to sell the asset, and the sale transaction is expected to be completed within one year

from the classification date, the sale will be considered highly probable.

If the control of the subsidiary will be lost at the time of sale, regardless of whether non-controlling interests are retained in the former subsidiary after the sale, all assets and liabilities of the subsidiary are classified as pending for sale.

The disposal group classified as pending is measured by the lower of the book value and the fair value less the cost of sale, and the depreciation of such assets is stopped.

#### (8) Investment in Related Enterprises

Affiliated companies refer to companies that have significant influence on the consolidated company but are not subsidiaries.

The consolidated company adopts the equity method for investment in affiliated companies. Under the equity method, investment in affiliated companies is initially recognized at cost, and the future book amount obtained is increased or decreased with the share of the affiliated company's profits and losses and other comprehensive profits and losses and profit distribution enjoyed by the consolidated company. In addition, changes in the equity of affiliated companies are recognized based on the shareholding ratio.

The amount of the acquisition cost exceeding the share of the net fair value of the identifiable assets and liabilities of the affiliated company enjoyed by the consolidated company on the date of acquisition is classified as goodwill, which is included in the book value of the investment and cannot be amortized; the consolidated company on the date of acquisition with the amount by which the share of the net fair value of the identifiable assets and liabilities of the affiliated company exceeds the acquisition cost is listed as the current profit and loss.

When a related company issues new shares, if the consolidated company does not subscribe according to the shareholding ratio, which causes the shareholding ratio to change, and consequently the net equity value of the investment increases or decreases, the increase or decrease is adjusted to the capital reserve-the equity method is adopted to recognize the association changes in the net value of the company's equity and investments using the equity method. However, if the shareholding ratio is not subscribed or obtained, which results in a decrease in the ownership and interest of the affiliated company, the amount recognized in the other comprehensive profit and loss related to the affiliated company shall be reclassified according to the reduction ratio, the basis of its accounting treatment is the

same as the basis that related companies must follow if they directly dispose of related assets or liabilities; if the adjustment in the preceding paragraph should be debited to the capital reserve, and the balance of the capital reserve generated by the equity method of investment is insufficient, the difference is debited to the retained surplus.

When the consolidated company's share of losses to the affiliated company equals or exceeds its equity in the affiliated company (including the book value of the investment in the affiliated company under the equity method and other long-term interests that are essentially part of the consolidated company's net investment in the affiliated company), stop recognizing further losses. The consolidated company only recognizes additional losses and liabilities within the scope of incurred statutory obligations, deduced obligations, or payments made on behalf of related companies.

When assessing impairment, the consolidated company regards the overall book value of the investment (including goodwill) as a single asset, compares the recoverable amount with the book amount, and conducts an impairment test. The recognized impairment loss is not allocated to the component of the investment book value of any assets, including goodwill. Any reversal of the impairment loss shall be recognized within the scope of the subsequent increase in the recoverable amount of the investment.

The consolidated company ceases to use the equity method on the day when its investment ceases to be an affiliated company, and its retained equity in the original affiliated company is measured at fair value, the difference between the fair value and disposal price and the book value of the investment on the day when the equity method ceases to be used is included in the current profit and loss. In addition, for all amounts recognized in other comprehensive profits and losses related to the related company, the basis of accounting treatment is the same as the basis that the related company must follow if it directly disposes of the related assets or liabilities.

The profits and losses arising from the upstream, downstream, and side-current transactions between the consolidated company and the affiliated company are recognized in the consolidated financial report only to the extent that it has nothing to do with the consolidated company's equity in the affiliated company.

#### (9) Property, Plant, and Equipment

Property, plant, and equipment are recognized at cost, and subsequently measured at the

cost minus accumulated depreciation and accumulated impairment losses.

Property, plant and equipment under construction are recognized at the cost minus accumulated impairment losses. Cost includes professional service fees and borrowing costs that meet the capitalization conditions.

When these assets are completed and reach the expected state of use, they are classified into the appropriate categories of property, plant and equipment, and depreciation begins.

Except for self-owned land, which is not depreciated, the rest of the property, plant and equipment are depreciated on a straight-line basis within the service life of each significant part. The consolidated company shall review the estimated service life, residual value and depreciation method at least at the end of each year and postpone the effect of changes in applicable accounting estimates.

When property, plant and equipment are delisted, the difference between the net disposal price and the asset's book value is recognized in profit and loss.

#### (10) Investment Property

Investment property refers to property held for the purpose of earning rent or capital appreciation or both (including property and right-of-use assets that meet the definition of investment property and are in the process of establishing a license). Investment property also includes land held for future use that has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction costs), and subsequently measured at the amount of cost minus accumulated depreciation and accumulated impairment losses.

The investment property acquired by the lease is initially measured at cost (including the original measured amount of the lease liability and the lease payment paid before the lease start date), and subsequently measured at the amount after the cost minus the accumulated depreciation and accumulated impairment losses, and adjust the remeasurement of lease liabilities.

All investment property is depreciated on a straight-line basis.

Investment property under construction is recognized at the cost minus the accumulated impairment loss. Cost includes professional service fees and borrowing costs that meet the capitalization conditions. These assets begin to be depreciated when they reach the expected state of use.

Investment property is transferred to real estate, plant and equipment based on the book value on the day when it was transferred for self-use.

The property of property, plant and equipment is transferred to investment property based on the book value at the end of self-use.

When investment real estate is delisted, the difference between the net disposal price and the asset's book value is recognized in profit and loss.

#### (11) Intangible Assets

##### 1. Obtained Separately

Intangible assets with limited useful life acquired separately are initially measured at cost, and subsequently measured at the amount of cost minus accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis during the useful life. The consolidated company shall review the estimated useful life, residual value and amortization method at least at the end of each year and postpone the impact of changes in applicable accounting estimates.

##### 2. Obtained from a Business Combination

The intangible assets obtained in a business combination are recognized at the fair value on the acquisition date and recognized separately from goodwill. The subsequent measurement method is the same as the intangible assets obtained separately.

##### 3. In addition to the column:

When intangible assets are delisted, the difference between the net disposal price and the asset's book value is recognized in profit and loss.

#### (12) Goodwill

The goodwill obtained in a business combination is based on the amount of goodwill recognized on the acquisition date as the cost, and subsequently measured by the cost minus the accumulated impairment loss.

To impairment testing, goodwill is allocated to each cash-generating unit or group of cash-generating units (referred to as "cash-generating units") that the amalgamating company expects to benefit from the synergy of the merger.

The cash-generating unit of amortized goodwill is tested annually (and when there are indications that the unit may be impaired) by comparing the book value of the unit containing goodwill and its recoverable amount, to conduct an impairment test of the unit. If

the goodwill allocated to the cash-generating unit is obtained from a business combination in the current year, the unit shall be tested for impairment before the end of the current year. If the recoverable amount of the cash-generating unit of amortized goodwill is lower than its book value, the impairment loss is to reduce the book amount of the cash-generating unit's amortized goodwill first, and then reduce the proportion of the book value of the other assets in the unit by each carrying amount of the asset. Any impairment loss is directly recognized as the current loss. The loss of goodwill impairment shall not be reversed in the subsequent period.

When disposing of a certain operation in the allocated goodwill cash-generating unit, the amount of goodwill related to the dispositioned operation is included in the book amount of the operation to determine the disposition profit and loss.

#### (13) Impairment of Non-Financial Assets

The consolidated company assesses on each balance sheet date whether there are any signs that property, plant and equipment, right-of-use assets, and intangible assets may have been impaired. If there are any signs of impairment, estimate the recoverable amount of the asset. If the recoverable amount of an individual asset cannot be estimated, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less the cost of sale and its use value. If the recoverable amount of an individual asset or cash-generating unit is lower than its book value, the book value of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is adjusted to the revised recoverable amount, but the increased carrying amount does not exceed the asset or cash-generating unit if the impairment is not recognized in the previous year for the book amount determined at the time of the loss (minus amortization or depreciation). The reversal of the impairment loss is recognized in the profit and loss.

#### (14) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the consolidated company becomes a party to the contractual terms of the

instrument.

In the initial recognition of financial assets and financial liabilities, if financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit and loss are immediately recognized as profit and loss.

## 1. Financial Assets

Conventional transactions of financial assets are recognized and delisted by accounting on the transaction date.

### (1) Type of Measurement

The types of financial assets held by the consolidated company are financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, and equity instrument investment measured at fair value through other comprehensive gains and losses.

#### A. Financial assets measured at fair value through profit and loss:

Financial assets measured at fair value through profit or loss include financial assets that are compulsorily measured at fair value through profit or loss. Mandatory financial assets measured at fair value through profit or loss include equity instrument investments that are not designated to be measured at fair value through other comprehensive profits and losses, and debt instrument investments that are not classified as measured at amortized cost or measured at fair value through other comprehensive profits and losses. Financial assets measured at fair value through profit and loss are measured at fair value, and the benefits or losses resulting from re-measurement are recognized in profit and loss.

#### B. Financial assets measured at amortized cost:

If the financial assets invested by the consolidated company meet the following two conditions, they are classified as financial assets measured at amortized cost:

- (a) It is held under a certain business model whose purpose is to hold financial assets to collect contractual cash flows; and

(b) The terms of the contract generate cash flows on a specific date, and these cash flows are all interest on the payment of the principal and the amount of principal in circulation.

Financial assets measured at amortized cost (including cash and cash equivalents, bills receivable, accounts receivable, other receivables and other financial assets measured at amortized cost) are based on the original recognition. The total book amount determined by the effective interest method is measured after deducting any impairment loss after amortization, and any foreign currency exchange gains and losses are recognized in profit and loss.

Except for the following two cases, interest income is calculated by multiplying the effective interest rate by the total book value of financial assets:

(a) For purchased or created credit-impaired financial assets, interest income is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

(b) For financial assets that are not purchased or original credit impairment, but subsequently become credit impairment, you should be confident to calculate interest income by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the impairment.

Equivalent cash includes time deposits that are highly liquid, convertible into fixed cash at any time and have little risk of value changes within 3 months from the date of acquisition and are used to meet short-term cash commitments.

C. Investment in equity instruments measured at fair value through other comprehensive gains and losses:

At the time of initial recognition, the consolidated company can make an irrevocable choice to designate investment in equity instruments that are not held for trading and that are not recognized by the purchaser of a business merger or have consideration at fair value through other comprehensive gains and losses.

Equity instrument investments measured at fair value through other comprehensive gains and losses are measured at fair value, and subsequent

changes in fair value are reported in other comprehensive gains and losses and accumulated in other equity. At the time of investment disposal, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

Dividends from equity instrument investments measured at fair value through other comprehensive gains and losses are recognized in the profit and loss when the rights of the consolidated company to receive payments are established unless the dividend clearly represents part of the investment cost recovery.

(2) Impairment of Financial Assets:

- A. The consolidated company assesses the impairment losses of financial assets (including accounts receivable) and lease receivables measured at amortized cost based on expected credit losses on each balance sheet date.
- B. Accounts receivable and lease receivables are recognized as allowance losses based on expected credit losses during the duration. For other financial assets, first assess whether there is a significant increase in credit risk since the initial recognition. If there is no significant increase, the allowance loss is recognized based on the 12-month expected credit loss; if it has increased significantly, the allowance loss is recognized based on the expected credit loss during the duration.
- C. Expected credit loss is the weighted average credit loss based on the risk of default. The 12-month expected credit loss refers to the expected credit loss caused by the possible default event of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss caused by all possible default events during the expected lifetime of the financial instrument.

The impairment loss of all financial assets is reduced by the allowance account.

(3) Delisting of Financial Assets

The consolidated company only delists financial assets when the contractual rights from the cash flow of financial assets have lapsed, or the financial assets have been transferred and almost all the risks and rewards of the ownership of the assets have been transferred to other companies.

When a financial asset measured at amortized cost is delisted as a whole, the difference between its book value and the consideration received is recognized in profit or loss. When equity instrument investments measured at fair value through other comprehensive gains and losses are delisted as a whole, accumulated gains and losses are directly transferred to retained earnings and are not reclassified as gains and losses.

## 2. Financial Liabilities and Equity Instruments

### (1) Classification of liabilities or equity:

The debt and equity instruments issued by the amalgamating company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

An equity instrument refers to any contract that recognizes the remaining equity of the consolidated company after deducting all its liabilities from its assets. The equity instruments issued by the consolidated company are recognized at the amount obtained after deducting the direct issuance costs.

### (2) Financial Liabilities

Financial liabilities are not held for trading and are not designated as those measured at fair value through profit and loss (including payables). The initial recognition is measured at fair value plus directly attributable transaction costs; subsequent evaluation adopts the effective interest method to amortize post-sale cost measurement.

### (3) Delisting of Financial Liabilities

The consolidated company de-lists financial liabilities when contractual obligations have been fulfilled, cancelled, or expired.

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

### (15) Provision for Liabilities

When the consolidated company has a current obligation (statutory or constructive obligation) due to past events and is likely to be required to pay off the obligation, and the amount of the obligation can be reliably estimated, the liability provision shall be

recognized. The amount recognized as a liability reserve is based on the risk and uncertainty of the obligation and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The provision for liabilities is measured by discounting the estimated cash flow of the settlement obligation.

#### (16) Income Recognition

After the consolidated company identifies performance obligations in the customer contract, it allocates the transaction price to each performance obligation, and recognizes revenue when each performance obligation is met.

##### 1. Commodity sales revenue:

(1) The consolidated company manufactures and sells audio-visual electronic products, various home appliances and other related products. Sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the designated location and meets the performance obligation, it will be deducted estimated customer returns, discounts, and other similar discounts. Based on historical experience and considering different contract conditions, the consolidated company estimates the possible sales returns and discounts, and recognizes refund liabilities (list other current liabilities) and product rights to be returned (list other current assets) . In principle, the credit period of the consolidated company to customers is from 10 days to 90 days from monthly settlement. The consideration for the sales revenue of commodities is the short-term accounts receivable. Since the discounting effect is not significant, it is measured based on the original invoice amount.

(2) The consolidated company provides a standard warranty for the products it sells, and has the obligation to refund product defects, and recognize the liability provision when selling the goods.

(3) Accounts receivables are recognized when the control of the product is transferred to the customer, because the consolidated company has an unconditional right to the contract price from that point in time, and the consideration can be collected from the customer only after time has passed. The advance receipts received before the product arrives are recognized as contract liabilities.

##### 2. Labor Income

Labor income from maintenance services is recognized when labor services are provided. The income generated by the provision of labor services in accordance with the contract is recognized according to the degree of completion of the contract.

#### (17) Lease

The consolidated company assesses whether the contract belongs to (or contains) a lease on the date of contract establishment.

1. The consolidated company is the lessor:

When the lease clause transfers almost all the risks and rewards attached to the ownership of the asset to the lessee, it is classified as a financial lease. All other leases are classified as operating leases.

When the amalgamating company subleases the right-of-use asset, it uses the right-of-use asset (not the underlying asset) to determine the classification of the sublease. However, if the main lease is a short-term lease for which the recognition exemption applies to the consolidated company, the sublease is classified as an operating lease.

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis during the relevant lease period. The original direct cost incurred in obtaining an operating lease is added to the book value of the underlying asset and recognized as an expense during the lease period on a straight-line basis. The lease negotiation with the lessee is handled as the new lease from the effective date of the lease modification.

2. The consolidated company is the lessee:

Except for the lease payments of low-value underlying asset leases and short-term leases that are subject to the applicable recognition exemption, the lease payments are recognized as expenses on a straight-line basis during the lease period, and other leases are recognized as the right-of-use asset and lease liability on the lease start date.

The right-of-use asset is originally measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date, minus the lease incentives received, the original direct cost and the estimated cost of restoring the underlying asset), and the subsequent cost minus accumulated depreciation and Measure the amount after the accumulated impairment loss and adjust the

remeasurement amount of the lease liability.

Except for those that meet the definition of investment real estate, right-of-use assets are separately expressed on the consolidated balance sheet. For the recognition and measurement of right-of-use assets that meet the definition of investment property, please refer to Note 4 (10) Accounting Policy for Investment Property.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the expiration of the service life or the expiration of the lease term, whichever is earlier.

The lease liability was originally measured at the present value of the lease payment. If the implicit interest rate of the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, use the lessee's incremental borrowing interest rate.

Subsequently, the lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period.

If changes in the future lease payments during the lease period or changes in the index or rate used to determine lease payments result in changes in future lease payments, the consolidated company will then measure the lease liabilities and adjust the right-of-use assets accordingly. However, if the book value of the right-of-use assets has been reduced to zero, then the remaining remeasured amount is recognized in profit and loss. For lease modifications that are not treated as separate leases, remeasurement of the lease liability due to the reduction in the scope of the lease is to reduce the right-of-use assets and recognize the profit and loss of the partial or full termination of the lease; the remeasurement of the lease liability due to other modifications is to adjust the right-of-use assets. Lease liabilities are separately expressed in the consolidated balance sheet.

#### (18) Employee Benefits

Short-term employee benefits are measured by the expected non-discounted amount of cash paid and are recognized as expenses when the relevant services are provided.

Regarding the definite allocation plan, the amount of the retirement fund that should be allocated is recognized as the current pension cost based on accrual. The advance payment is recognized as an asset within the scope of refundable cash or reduced future payments.

The net obligation under the definite benefit plan is calculated by discounting the number

of future benefits earned by the employee in the current or past services, and the current value of the definite benefit obligation on the balance sheet date minus the fair value of the planned assets. The net obligation to determine benefits is calculated annually by actuaries using the projected unit benefit method, and the discount rate is determined by referring to the market yield rate of high-quality corporate bonds whose balance sheet date is consistent with the currency and period of the determined benefit plan; in high-quality corporate bonds for countries without a deep market, the market yield rate of government bonds (on the balance sheet date) is used. The remeasurement amount generated by the determined benefit plan is recognized in other comprehensive profit and loss in the current period and included in the retained surplus. The related expenses of the previous service cost are immediately recognized as profit and loss.

Resignation benefits are benefits provided when the employee's employment is terminated before the normal retirement date or when the employee decides to accept the company's welfare invitation in exchange for termination of employment. The merging company recognizes expenses when it is no longer able to withdraw the offer of resignation benefits or when the relevant restructuring costs are recognized, whichever is earlier. It is not expected that benefits paid in full 12 months after the balance sheet date should be discounted.

#### (19) Borrowing Cost

The borrowing cost directly attributable to the acquisition, construction or production of a qualified asset is a part of the cost of the asset until almost all necessary activities for the asset to reach its intended use or sale status have been completed.

Specific borrowings, such as investment income earned by temporary investment before the occurrence of capital expenditures that meet the requirements, are deducted from the borrowing costs that meet the capitalization conditions.

Except for the above, all other borrowing costs are recognized as profit or loss in the current period.

#### (20) Income Tax

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

##### 1. Current Income Tax

The consolidated company determines the current income (loss) in accordance with the

laws and regulations established by each income tax reporting jurisdiction, and calculates the payable (recoverable) income tax based on it.

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, which is recognized in the annual shareholders' meeting.

Adjustments to income tax payable in previous years are included in current income tax.

## 2. Deferred Income Tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculating taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when there is a high probability of taxable income that can be used to deduct temporary differences or loss deductions.

Taxable temporary differences related to investment in subsidiaries are recognized as deferred income tax liabilities, but if the consolidated company can control the timing of the reversion of the temporary difference, and the temporary difference is likely to not revert in the foreseeable future except. The deductible temporary differences related to this type of investment will be recognized as deferred income tax only if it is likely to have sufficient taxable income to realize the temporary differences, and within the scope expected to return in the foreseeable future assets.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date, and the carrying amount is reduced for those that are no longer likely to have sufficient taxable income to recover all or part of their assets. For those that have not been recognized as deferred income tax assets, they are also reviewed on each balance sheet date, and if they are likely to generate taxable income in the future for recovering all or part of their assets, the book amount will be increased.

Deferred income tax assets and liabilities are measured by the tax rate for the period in which the expected liability is settled, or the asset is realized. The tax rate is based on the tax rate and tax law that has been legislated or substantively legislated on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences arising from the way the consolidated company expects to recover or settle the carrying amount of its assets and liabilities on the balance sheet

date.

### 3. Current and Deferred Income Tax

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

### 5. Major sources of uncertainty in major accounting judgments, estimates and assumptions:

When the consolidated company adopts the accounting, policies described in Note 4, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for those who cannot easily obtain information about the carrying amounts of assets and liabilities from other sources. The estimates and related assumptions are based on historical experience and other factors deemed relevant. Actual results may differ from estimates.

Estimates and basic assumptions are continuously reviewed. If the revision of the estimate only affects the current period, it shall be recognized in the current period of the revision of the accounting estimate. If the revision of the accounting estimate affects both the current period and the future period, it shall be recognized in the current period and future period of the estimate revision.

The main sources of uncertainties in significant accounting judgments, estimates and assumptions of the consolidated company are as follows:

#### (1) Evaluation of Inventory

Since inventory must be priced at the lower of cost and net realizable value, the consolidated company must use judgment and estimation to determine the net realizable value of the inventory at the end of the financial reporting period.

Due to the rapid changes in the industry, the consolidated company assesses the amount of inventory due to normal depletion, obsolescence, or no market sales value at the end of the financial reporting period, and offsets the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

#### (2) Estimated Impairment of Financial Assets

The estimated impairment of accounts receivable assumes of default rate and expected loss

rate of the consolidated company. The consolidated company considers historical experience, current market conditions and industrial economic conditions to make assumptions and select input values for impairment assessment. For the important assumptions and input values used, please refer to Note 6 (5). If the actual future cash flow is less than expected, a significant impairment loss may occur or the recognized impairment loss may be reversed.

(3) Assessment of impairment of non-financial assets:

In the process of asset impairment assessment, the consolidated company must rely on subjective judgments and determine the independent cash flow of a specific asset group, the number of years of asset durability, and the possible future gains and expenses based on asset usage patterns and industrial characteristics, any estimated changes brought about by the company's strategy or changes in the economy may cause significant impairment in the future.

(4) Investment impairment assessment using the equity method

When there are signs of impairment that an investment using the equity method may have been impaired and the carrying amount may not be recovered, the merging company immediately assesses the impairment of the investment. The consolidated company evaluates the impairment based on the future cash flow forecast of the invested company, including the sales growth rate and capacity utilization rate estimated by the internal management of the invested company, and analyzes the reasonableness of related assumptions.

(5) The realizability of deferred income tax assets:

Deferred income tax assets are recognized when there is likely to be sufficient taxable income to deduct temporary differences in the future. When assessing the realizability of deferred income tax assets, significant accounting judgments and estimates of management must be involved, including assumptions such as expected future sales revenue growth and profitability, tax exemption period, available income tax deductions and tax planning. Any changes in the global economic environment, industrial environment and laws and regulations may cause major adjustments in deferred income tax assets.

(6) Evaluation of Warranty Preparation

Incremental costs related to the after-sales maintenance of the product (such as labor costs (whether internal or external) and material costs) and other costs that cannot be claimed from the supplier for maintenance, is listed in accordance with the after-sales warranty

contract of the product or the warranty preparation policy of the merged company.

When determining the amount of warranty provision, the management estimates the possibility of repairs and returns based on experience, technical requirements, and average figures in the relevant industry. It is estimated that many factors may have an adverse effect, including additional modifications to the order in response to customer requirements or technical needs, and other unforeseen problems and circumstances. Any of these factors may affect the possibility of repairs or returns, and in turn affect the final repair and return costs involved in the future.

(7) Calculation of net defined benefit liabilities:

When calculating and determining the present value of benefit obligations, the consolidated company must use judgments and estimates to determine the relevant actuarial assumptions on the balance sheet date, including discount rates and future salary growth rates. Any change in actuarial assumptions may significantly affect the amount of benefit obligations determined by the consolidated company.

(8) Income Recognition

The estimates of returns and discounts related to sales revenue are estimated product returns and discounts that may occur based on historical experience and other known reasons. They are listed as a reduction in sales revenue in the period when the products are sold, and the consolidated company regularly reviews the estimated rationality.

6. Explanation of important accounting items:

(1) Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 2,660	\$ 2,484
Deposits in banks	477,555	521,610
Cash equivalents		
Time deposits	40,433	44,295
	<u>\$ 520,648</u>	<u>\$ 568,389</u>

The credit quality of the financial institutions with which the merged company has transactions is good, and the merged company has transactions with multiple financial institutions to diversify the credit risk, and the probability of default is expected to be very low.

(2) Financial assets measured at fair value through profit and loss:



	December 31, 2020	December 31, 2019
<u>Current</u>		
Domestic investment		
Pledged time deposits	\$ 28,480	\$ —
Time deposits more than three months	54,720	—
	<u>83,200</u>	<u>—</u>
Foreign investment		
Time deposits more than three months	42,724	131,066
	<u>\$ 125,924</u>	<u>\$ 131,066</u>
Interest rate	<u>0.15%~0.56%</u>	<u>1.95%~2%</u>

For information on providing guarantees for financial assets measured at amortized cost, please refer to Note 8.

(5) Bills receivable and net accounts receivable:

	December 31, 2020	December 31, 2019
<u>Notes receivable</u>		
From operations	\$ 12,736	\$ 12,853
<u>Accounts receivable</u>		
At amortized cost		
Carrying amounts	\$ 155,355	\$ 192,428
Less: Loss allowance	(45,001)	(56,450)
	<u>\$ 110,354</u>	<u>\$ 135,978</u>

1. In principle, the credit period of the consolidated company to customers is from 10 days to 90 days from the monthly settlement, and the accounts receivable are not subject to interest. In order to reduce the credit risk, the management of the consolidated company assigns a dedicated team responsible for the determination of the credit limit, credit approval and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue accounts receivable. In addition, the consolidated company will review the recoverable amount of accounts receivable one by one on the balance sheet date to ensure that the accounts receivable that cannot be recovered have been properly deducted.

2. The consolidated company recognizes the allowance loss of notes and accounts receivable based on expected credit losses during the duration. The expected credit loss during the lifetime is based on the customer's past default history, current financial status, past collection experience, and observable changes in the national or regional economic situation related to the default of accounts receivable, and are set according to the loss patterns of different customer groups to determine the expected credit loss rate.
3. If there is evidence that the counterparty of the transaction is facing serious financial difficulties and the consolidated company cannot reasonably expect the recoverable amount, for example, the counterparty is in liquidation or the debt has been overdue for more than 2 years, the consolidated company will directly offset the relevant accounts receivable, however recourse activities will continue, and the amount recovered due to recourse is recognized in the profit and loss
4. The allowance loss for notes receivable and accounts receivable of the consolidated company is as follows:

**December 31<sup>st</sup>, 2020**

	Group A	Group B	Group C	Total
Carrying amounts	\$ 75,509	\$ 62,203	\$ 30,379	\$ 168,091
Loss allowance	(4,960)	(40,011)	(30)	(45,001)
Amortized cost	\$ 70,549	\$ 22,192	\$ 30,349	\$ 123,090

Group A is evaluated based on 0.04% to 100% for customers in Taiwan; Group B is evaluated based on 4.43% to 100% for customers in China; Group C is evaluated based on 0.03% to 0.09% for customers in Malaysia.

**December 31<sup>st</sup>, 2019**

	Group A	Group B	Group C	Total
Carrying amounts	\$ 90,384	\$ 95,041	\$ 19,856	\$ 205,281
Loss allowance	(3,898)	(52,532)	(20)	(56,450)
Amortized cost	\$ 86,486	\$ 42,509	\$ 19,836	\$ 148,831

Group A is evaluated based on 0.05% to 100% for customers in Taiwan; Group B is evaluated based on 41.12% to 100% for customers in China; Group C is evaluated based on 0.03% to 0.09% for customers in Malaysia.

5. The aging analysis of notes receivable and accounts receivable is as follows:

December 31, 2020				
	Notes receivable		Accounts receivable	
Not past due	\$	12,736	\$	98,368
Past due within 30 days		—		2,694
Past due 31-90 days		—		5,074
Past due 91-180 days		—		164
Past due over 181 days		—		49,055
	\$	12,736	\$	155,355

  

December 31, 2019				
	Notes receivable		Accounts receivable	
Not past due	\$	12,853	\$	100,889
Past due within 30 days		—		2,978
Past due 31-90 days		—		1,268
Past due 91-180 days		—		2,296
Past due over 181 days		—		84,997
	\$	12,853	\$	192,428

The above is an aging analysis based on the number of overdue days.

6. The information on changes in notes receivable and allowance loss for accounts receivable is as follows:

	FY 2020		FY 2019	
Balance, beginning of year	\$	56,450	\$	72,115
Reversal		(11,899)		(12,108)
Offset due to uncollectible		(103)		(1,991)
Effect of exchange rate change		553		(1,566)
Balance, end of year	\$	45,001	\$	56,450

(6) Other Receivables

	December 31, 2020	December 31, 2019
Assignment of claims receivable	\$ 8,755	\$ 27,387
Disposal of land receivable	—	16,000
Tax refund receivable	509	295
Interest receivable	—	858
Guarantee receivable	2,212	2,175
Other receivable	13,633	23,319
Other receivable from related parties	98,605	101,101
	<u>123,714</u>	<u>171,135</u>
Less : Loss allowance	(85,436)	(92,612)
	<u>\$ 38,278</u>	<u>\$ 78,523</u>

1. The information on changes in allowance loss for other receivables is as follows

	FY 2020	FY 2019
Balance, beginning of year	\$ 92,612	\$ 93,542
Reversal	(7,248)	(2,057)
Offset	(8)	2,057
Offset due to uncollectible	—	(34)
Effect of exchange rate change	80	(896)
Balance, end of year	<u>\$ 85,436</u>	<u>\$ 92,612</u>

2. The company's subsidiary-ACTION ASIA (SHENZHEN) CO., LTD. (hereinafter referred to as Action Asia) and Qingdao Haier Electronics Co., Ltd. (hereinafter referred to as Haier Company) signed a "customized underwriting cooperation agreement" (including creditor's rights) in January 2016 Transfer agreement), the two parties agree that Haier will provide brand and platform resources, and Action Asia will be responsible for production and sales. In addition, according to the contract between the two parties, Action Asia shall purchase the accounts receivable (debt transfer agreement) of Haier Company's development of the box project before January 1<sup>st</sup>, 2015, and Haier Company shall deliver the credit certificate to Action Asia, the accounts receivable in the preceding paragraph If the payment is collected by Haier Company, it shall be transferred to Action Asia (debt transfer).

Due to the contract performance dispute between Action Asia and Haier Company, Action Asia re-evaluated the transaction mode and appointed a lawyer to evaluate the contract. The lawyer appointed that Haier Company has not fulfilled its obligations in accordance with the contract so far, and the contract should be invalid. Action Asia submitted an arbitration application to the China International Economic and Trade Arbitration

Commission on November 28<sup>th</sup>, 2016, stating that Action Asia has the right to terminate the contract in accordance with the law and requested Haier Company to return the money received from Action Asia.

Action Asia has signed a settlement agreement with Haier Company on March 29<sup>th</sup>, 2017, stipulating that Action Asia shall continue to perform the creditor's rights transfer agreement (this creditor's rights are hereinafter referred to as the contract payment), and will use Action Asia's accounts receivable from Haier Company and A deposit of NTD 142,828 thousand (NTD 32,407 thousand) was deposited to offset the remaining contract payment.

As of March 31<sup>st</sup>, 2017, Action Asia has paid the contract payment of Haier Company (including Action Asia's accounts receivable and deposit margin offset against Haier Company) RMB 178,900 thousand (RMB 40,593,000). The receivables of this debt assignment agreement on December 31<sup>st</sup>, 2020 and 2019 are NTD 8,755 thousand (RMB 2,000 thousand) and NTD 27,387 thousand (RMB 6,363 thousand), respectively, and other receivables are listed.

(7) Disposal group pending sale:

On March 29<sup>th</sup>, 2021, the board of directors decided to dispose of the 100% equity of ACTION TECHNOLOGY (JIAN) CO., LTD. held by the subsidiary company ALMOND GARDEN CORP., and the consolidated company has begun processing related sales matters, so December 31<sup>st</sup>, 2020 the assets and liabilities of ACTION TECHNOLOGY (JIAN) CO., LTD. are transferred to the disposal group for sale.

1. The main categories of assets and liabilities of the disposal group held for sale are as follows:

	December 31, 2020	
Cash and cash equivalents	\$	14,522
Accounts receivable, net		3,120
Prepayments		1,517
Other current assets		14
Property, plant and equipment		8,960
Investment property		71,546
	\$	99,679

	December 31, 2020
Accounts payable	\$ 1,544
Other payables	2,633
Other current liabilities	2,320
	\$ 6,497

The above information is compiled based on the amount after the merger of the inter-company transactions has been eliminated.

2. Income of the discontinued operations after the merger and write-off is as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating revenue	\$ 8,901	\$ 9,625
Operating costs	(5,044)	(5,452)
Gross profit	3,857	4,173
Operating expenses	(2,842)	(2,671)
Net operating income	1,015	1,502
Non-operating income and expenses		
Interest revenue	116	75
Other revenue	818	526
Other gains and losses	4,762	(201)
Total non-operating income and expenses	5,696	400
Income before income tax	\$ 6,711	\$ 1,902
Income from discontinued operations	\$ 6,711	\$ 1,902
Income attributable to shareholders of the parent	\$ 6,711	\$ 1,902

3. The cash flow information of discontinued operations is as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating activities	\$ 2,666	\$ 5,347
Investing activities	1,622	—
Financing activities	(1,042)	(1,915)
Cash inflow	<u>\$ 3,246</u>	<u>\$ 3,432</u>

(8) Inventory

	December 31, 2020	December 31, 2019
Raw materials	\$ 57,450	\$ 67,266
Work in progress	19,052	13,995
Finished goods	16,105	991
Goods	200,097	192,533
Goods in transit	20,488	53,765
	<u>\$ 313,192</u>	<u>\$ 328,550</u>

The inventory-related cost of goods sold of the consolidated company for the year ended December 31<sup>st</sup>, 2020 and 2019 are NTD 840,713 thousand and NTD 862,964 thousand, respectively. Please refer to Note 6 (28).

(9) Advance Payment

	December 31, 2020	December 31, 2019
Tax overpaid retained for offsetting future tax payable	\$ 35,155	\$ 33,609
Prepayments to suppliers	9,590	5,347
Other prepayments	8,765	10,084
	<u>\$ 53,510</u>	<u>\$ 49,040</u>

(10) Investment using the equity method:

Investment of associates

	December 31, 2020	December 31, 2019
<u>Significant associates</u>		
Non-public entity		
Dede Technology (Shenzhen) Co., Ltd.	<u>\$ 540,091</u>	<u>\$ 536,155</u>

1. The percentage of ownership and voting rights of the consolidated company in the affiliated company on the balance sheet date is as follows:

Company Name	December 31, 2020	December 31, 2019
Dede Technology (Shenzhen) Co., Ltd.	40%	40%

2. The following consolidated financial information is prepared on the basis of the consolidated financial reports of related companies IFRSs, and has already reflected the adjustments made when investing using the equity method.

(1) Significant associates

Dede Technology (Shenzhen) Co., Ltd

	December 31, 2020	December 31, 2019
Current assets	\$ 32,748	\$ 34,216
Non-current assets	967,670	963,339
Current liabilities	(125,511)	(84,796)
Non-current liabilities	(557,349)	(617,029)
Equity	\$ 317,558	\$ 295,730
Percentage of ownership	40%	40%
Equity attributable to consolidated company	\$ 127,023	\$ 118,292
Adjustment for right-of-use assets at fair value	413,068	417,863
Carrying amount	\$ 540,091	\$ 536,155

	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating revenue	\$ 101,767	\$ 109,541
Profit	\$ 16,502	\$ 32,968
Percentage of ownership	40%	40%
Profit attributable to consolidated company	\$ 6,601	\$ 13,187
Adjustment for using equity method :		
Depreciation of right-of-use assets	(11,546)	(12,017)
Total comprehensive income	\$ (4,945)	\$ 1,170

- (2) The profits and losses enjoyed by the investment and consolidated companies that adopt the equity method are recognized based on the financial reports of the affiliated companies that have been reviewed by the accountant during the same period.

### (11) Property, Plant and Equipment

	2020						
	Balance at Jan. 1, 2020	Additions	Disposals or retirements	Transfers	Classified as held for sale	Effect of exchange rate change	Balance at Dec. 31, 2020
<u>Cost</u>							
Land	\$ 107,586	\$ —	\$ —	\$ (64,359)	\$ —	\$ —	\$ 43,227
Buildings	197,744	114	—	(13,091)	(11,167)	641	174,241
Machinery and equipment	43,936	525	(25)	—	(27,466)	430	17,400
Mould equipment	56,917	1,691	(2,687)	—	(4,158)	(1,482)	50,281
Transportation equipment	26,604	2,615	(3,159)	—	(360)	(40)	25,660
Office equipment	22,198	1,728	(173)	(10)	(1,112)	(209)	22,422
Leasehold improvements	17,055	1,538	—	—	—	136	18,729
Other equipment	1,095	759	—	—	—	19	1,873
Equipment under installation and construction in progress	21,392	—	—	(21,392)	—	—	—
Subtotal	494,527	8,970	(6,044)	(98,852)	(44,263)	(505)	353,833
<u>Accumulated depreciation</u>							
Buildings	74,793	5,305	—	(8,976)	(2,281)	(224)	68,617
Machinery and equipment	29,457	2,390	(15)	—	(21,057)	290	11,065
Mould equipment	54,251	842	(2,687)	—	(3,832)	(1,485)	47,089
Transportation equipment	21,946	2,374	(3,159)	—	(342)	(43)	20,776
Office equipment	13,603	1,605	(131)	—	(1,057)	(78)	13,942
Leasehold improvements	12,257	2,497	—	—	—	113	14,867
Other equipment	430	232	—	—	—	12	674
Subtotal	206,737	15,245	(5,992)	(8,976)	(28,569)	(1,415)	177,030
<u>Accumulated impairment</u>							
Machinery and equipment	6,302	—	—	—	(6,408)	106	—
Mould equipment	321	—	—	—	(326)	5	—
Subtotal	6,623	—	—	—	(6,734)	111	—
Total	\$ 281,167	\$ (6,275)	\$ (52)	\$ (89,876)	\$ (8,960)	\$ 799	\$ 176,803

	2019						Balance at Dec. 31, 2019
	Balance at Jan. 1, 2019	Additions	Disposals or retirements	Acquired in a business combination	Reclassifi- cations	Effect of exchange rate change	
<u>Cost</u>							
Land	\$ 107,586	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 107,586
Buildings	199,358	3,037	—	—	(893)	(3,758)	197,744
Machinery and equipment	42,983	767	(204)	1,448	10	(1,068)	43,936
Mould equipment	55,568	2,132	—	—	—	(783)	56,917
Transportation equipment	27,227	515	—	—	—	(1,138)	26,604
Office equipment	18,974	2,289	(161)	1,421	—	(325)	22,198
Leasehold improvements	17,010	290	—	—	—	(245)	17,055
Other equipment	905	218	—	—	—	(28)	1,095
Equipment under installation and construction in progress	—	12,821	—	—	8,571	—	21,392
Subtotal	<u>469,611</u>	<u>22,069</u>	<u>(365)</u>	<u>2,869</u>	<u>7,688</u>	<u>(7,345)</u>	<u>494,527</u>
<u>Accumulated depreciation</u>							
Buildings	69,361	5,301	—	—	972	(841)	74,793
Machinery and equipment	26,719	2,661	(74)	947	—	(796)	29,457
Mould equipment	54,412	614	—	—	—	(775)	54,251
Transportation equipment	20,683	2,397	—	—	—	(1,134)	21,946
Office equipment	11,318	1,834	(153)	838	—	(234)	13,603
Leasehold improvements	10,118	2,267	—	—	—	(128)	12,257
Other equipment	132	314	—	—	—	(16)	430
Subtotal	<u>192,743</u>	<u>15,388</u>	<u>(227)</u>	<u>1,785</u>	<u>972</u>	<u>(3,924)</u>	<u>206,737</u>
<u>Accumulated impairment</u>							
Machinery and equipment	6,494	—	—	—	—	(192)	6,302
Mould equipment	330	—	—	—	—	(9)	321
Subtotal	<u>6,824</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(201)</u>	<u>6,623</u>
Total	<u>\$ 270,044</u>	<u>\$ 6,681</u>	<u>\$ (138)</u>	<u>\$ 1,084</u>	<u>\$ 6,71</u>	<u>\$ (3,220)</u>	<u>\$ 281,167</u>

- The property, plant and equipment of the consolidated company are depreciated based on the following durable years:

Buildings	5 to 56 years
Machinery and equipment	5 to 10 years
Mould equipment	5 years
Transportation equipment	4 to 6 years
Office equipment	3 to 10 years
Leasehold improvements	3 to 5 years
Other equipment	3 to 5 years
- The consolidated company is an active asset, and will jointly build the "Yisheng Zhihui Science and Technology Park" with the number 239 and 240-1 of the Zhongli Zhonggong Section and the number 241 of the Zhonggong Section held by Youyuanlai Investment Co., Ltd., and approved by the board of directors on June 15<sup>th</sup>, 2020, consolidated the company and reclassified the property as investment property with its book value at the time of change of use.
- For information on guarantees provided for property, plant and equipment, please refer

to Note 8.

(12) Lease Agreement-Lessee

1. Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amounts		
Land	\$ 1,839	\$ 2,176
Buildings	38,924	47,189
Transportation equipment	1,790	—
	\$ 42,553	\$ 49,365
	December 31, 2020	December 31, 2019
Additions to right-of-use assets	\$ 24,742	\$ 25,143
Depreciation of right-of-use assets		
Land	\$ 538	\$ 568
Buildings	19,597	16,323
Transportation equipment	596	—
	\$ 20,731	\$ 16,891

- (1) Lands in Shanghai, Penang and Ji'an signed by the consolidated company to obtain land use rights contracts are subleased by operating leases. The relevant use right assets are listed as investment real estate. Please refer to Note 6(14). The aforementioned amount of right-of-use assets does not include right-of-use assets that meet the definition of investment property.
- (2) Except for the additional and recognized depreciation expenses listed above, the company's right-of-use assets did not undergo major sublease and depreciation in year ended December 31<sup>st</sup>, 2020 & 2019

## 2. Lease Liabilities

	December 31, 2020	December 31, 2019
Carrying amounts		
Current portion	\$ 19,405	\$ 15,373
Noncurrent portion	\$ 18,333	\$ 28,414

The discount rate ranges for lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Buildings	1.63%~4.9%	1.63%~4.9%
Transportation equipment	7.13%	—

## 3. Important rental activities and terms:

- (1) The subject assets to be leased by the amalgamated company include houses and buildings and official vehicles. The lease contract period is usually between 2 to 5 years. The lease contract is negotiated individually and contains various terms and conditions. Except that the leased asset cannot be used as a loan guarantee, no other restrictions are imposed.
- (2) The consolidated company signed a land use right contract at Pendaftaran Hakmilik Tanah, Pulau Pinang in 2000. The lease term is 60 years, and the lease has been paid in full when the lease was signed. Right of land use rights, income rights, transfer and lease, etc. is granted within the land use period.
- (3) The consolidated company signed a land use right contract located in Pendaftaran Hakmilik Tanah, Pulau Pinang in 2002. The lease term was 48 years, and the lease was fully paid when the lease was signed. Right of land use rights, income rights, transfer and lease, etc. is granted within the land use period.
- (4) The consolidated company signed a land use right contract at the Ji'an County Land and Resources Bureau, Jiangxi Province in 2006. The lease term is 50 years, and the lease has been paid in full when the lease was signed. Right of land use rights, income rights, transfer and lease, etc. is granted within the land use period.
- (5) The consolidated company signed a land use right contract at the Shanghai Municipal Housing and Land Administration Bureau in 2007, the lease term is 50 years, and the

lease has been paid in full when the lease was signed. Right of land use rights, income rights, transfer and lease, etc. is granted within the land use period.

- (6) The consolidated company signed a contract for the right to use the building located in the Housing Bureau of Baoan District, Shenzhen in 2014. The lease term was 70 years, and the lease was paid in full when the lease was signed. Right of land use rights, income rights, transfer and lease, etc. is granted within the land use period.

#### 4. Other Rental Information

	FY 2020	FY 2019
Expense relating to short-term leases	\$ 4,371	\$ 5,149
Expense relating to low-value asset leases	\$ 208	\$ 235
Total cash outflow for lease	\$ 25,536	\$ 21,553

The consolidated company chose to apply the exemption for recognition of short-term leases of houses and buildings and leases of low-value assets, and not recognize related right-of-use assets and lease liabilities for such leases.

#### (13) Lease Agreement-Lessor

- The assets leased by the consolidated company include land and buildings. The lease contract period usually ranges from 1 to 5 years. The lease contract is negotiated individually and contains various terms and conditions. In order to preserve the use of leased assets, the lessee is usually required not to sublet, sublet, or pledge all or part of the leased object and other restrictions and agreements.
- The benefits recognized by the consolidated company based on the operating lease contract are as follows:

	FY 2020	FY 2019
Rent income	\$ 150,522	\$ 164,118

#### 3. FY2020

The analysis of the maturity date of the total lease payments receivable of the consolidated company under operating leases is as follows:



1. The investment property of the consolidated company is depreciated based on the following durability years:

Buildings	5 to 56 years
Right-of-use assets	28 to 41 years

2. The fair value of the investment property of the consolidated company as of December 31<sup>st</sup>, 2020 & 2019 is evaluated by independent experts on the balance sheet date using the third-level input value and inquiring the current price registration information. The evaluation is based on market value.

The fair value of investment real estate is as follows:

	December 31, 2020	December 31, 2019
Fair value	\$ 2,071,467	\$ 1,360,677

3. Rental income and direct operating expenses of investment property:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Rent income of investment property	\$ 150,412	\$ 164,009
Direct expenses attributed to rent income of investment property	\$ 35,460	\$ 40,917
Direct expenses attributed to other investment property	\$ 1,133	\$ 551

4. For information on guarantees provided by investment property, please refer to Note 8.

### (15) Intangible Assets

	2020					
	Balance at Jan. 1, 2020	Additions	Disposals or retirements	Reclassifications	Effect of exchange rate change	Balance at Dec. 31, 2020
<u>Cost</u>						
Trademarks	\$ 295,345	\$ 365	\$ —	\$ —	\$ —	\$ 295,710
Patents	276	—	—	—	—	276
Goodwill	7,756	—	—	—	(42)	7,714
Customer relationship	12,143	—	—	—	—	12,143
Others	2,267	340	—	—	5	2,612
Subtotal	317,787	705	—	—	(37)	318,455
<u>Accumulated amortization</u>						
Trademarks	66,363	5,565	—	—	—	71,928
Patents	276	—	—	—	—	276
Customer relationship	9,208	1,215	—	—	—	10,423
Others	2,072	266	—	—	5	2,343
Subtotal	77,919	7,046	—	—	5	84,970
<u>Accumulated impairment</u>						
Goodwill	—	7,714	—	—	—	7,714
Subtotal	—	7,714	—	—	—	7,714
Total	\$ 239,868	\$ (14,055)	\$ —	\$ —	\$ (42)	\$ 225,771

	2019						
	Balance at Jan. 1, 2019	Additions	Disposals or retirements	Acquired in a business combination	Reclassifications	Effect of exchange rate change	Balance at Dec. 31, 2019
<u>Cost</u>							
Trademarks	\$ 295,061	\$ 284	\$ —	\$ —	\$ —	\$ —	\$ 295,345
Patents	276	—	—	—	—	—	276
Goodwill	—	—	—	8,145	—	(389)	7,756
Customer relationship	12,143	—	—	—	—	—	12,143
Others	2,190	84	—	—	—	(7)	2,267
Subtotal	309,670	368	—	8,145	—	(396)	317,787
<u>Accumulated amortization</u>							
Trademarks	60,832	5,531	—	—	—	—	66,363
Patents	276	—	—	—	—	—	276
Customer relationship	7,994	1,214	—	—	—	—	9,208
Others	1,807	272	—	—	—	(7)	2,072
Subtotal	70,909	7,017	—	—	—	(7)	77,919
Total	\$ 238,761	\$ (6,649)	\$ —	\$ 8,145	\$ —	\$ (389)	\$ 239,868

1. The afore-mentioned intangible assets with limited service life are amortized on a straight-line basis based on the following service life:

Trademarks and patents	2 to 50 years
Customer relationship	10 years
Software and others	3 years

2. The details of the amortization expenses of intangible assets are as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Manufacturing expenses	\$ 1,214	\$ 1,214
Selling expenses	5,565	5,531
General and administrative expenses	267	272
	\$ 7,046	\$ 7,017

3. Goodwill is allocated to the cash-generating unit of the consolidated company:

Chongqing Zhiqixin Electronic Technology Development Co., Ltd.

	December 31, 2019
ATZ ELECTRONICS CO., LTD.	\$ 8,145

- (1) The consolidated company obtained the fair value assessment report on the acquisition date on July 30<sup>th</sup>, 2019. According to the assessment results, the fair value

of the goodwill of Chongqing Zhiqixin Electronic Technology Development Co., Ltd. on the acquisition date was NTD 8,145 thousand.

(2) When the consolidated company conducts the impairment test on December 31<sup>st</sup>, 2019, the goodwill is allocated to the cash-generating unit of the consolidated company identified by the operating department, and the recoverable amount is evaluated based on the value in use of the cash-generating unit. The value in use is calculated based on the direct capitalization method of the income method with a capitalization rate of 16.19% and a liquidity discount of 27%. In year ended December 31<sup>st</sup>, 2019, no impairment loss of goodwill was recognized.

The consolidated company recognized the impairment loss of goodwill of NTD 7,714 thousand in accordance with the operating results and future of the cash-generating unit in the year ended December 31<sup>st</sup>, 2020.

(16) Short-term Loans

	December 31, 2020	December 31, 2019
Loans for material purchase	\$ 119,027	\$ 117,555
Collateralized loans	412,022	434,968
Total	\$ 531,049	\$ 552,523
Interest rate	1.05%~2.49%	1.59%~4.87%

Please refer to Note 8 for the provision of assets as guarantees for short-term loans.

(17) Notes payable and accounts payable:

	December 31, 2020	December 31, 2019
Notes payable	\$ 3,822	\$ 2,768
Accounts payable	109,710	103,901
	\$ 113,532	\$ 106,669

Please refer to Note 6 (39) for the disclosure of payables and other payables of the consolidated company exposed to exchange rate and liquidity risks.

(18) Other Payables

	December 31, 2020	December 31, 2019
Wages, salaries and bonus payable	\$ 40,031	\$ 42,804
Profit sharing bonus to employees	2,592	3,018
Compensation to directors	2,347	2,533
Royalty payable	41,613	43,514
Service payable	7,448	7,034
Payable on machinery and equipment	667	—
Others	40,900	48,188
	<u>\$ 135,598</u>	<u>\$ 147,091</u>

Others under other payables mainly consist of payable freight, environmental protection recovery charges, insurance premiums, preservation fees, inspection fees, electricity fees, house tax, travel expenses, after-sales service fees, platform usage fees and other payments.

#### (19) Provision for Liabilities

	FY 2020	FY 2019
<u>Warranty</u>		
Balance, beginning of year	\$ 24,547	\$ 23,912
Additions	9,676	4,958
Write-off	(6,249)	(3,445)
Reversal	(5,202)	(566)
Others	5,148	—
Effect of exchange rate changes	(486)	(312)
Balance, end of year	<u>\$ 27,434</u>	<u>\$ 24,547</u>
Current	<u>\$ 21,193</u>	<u>\$ 9,633</u>
Noncurrent	<u>\$ 6,241</u>	<u>\$ 14,914</u>

The warranty liability provision of the consolidated company is mainly related to the sales of application products such as home appliances and liquid crystal display players. The warranty liability provision is estimated based on the historical warranty information of the product. The consolidated company estimates that the liability provision will be in the next 1-2 years It happened one after another.

#### (20) Pension

1. Determine the appropriation plan:

A. Since July 1<sup>st</sup>, 2015, the company has established a definite retirement method in

accordance with the "Labor Pension Regulations", which is applicable to employees of their own nationality. The company applies the part of the labor pension system stipulated by the "Labor Retirement Regulations" for employees' choice, with a monthly contribution of 6% of the salary to the employee's personal account of the Labor Insurance Bureau, and the payment of the employee's pension is based on the employee's personal pension. The amount of the special account and accumulated income is received in the form of a monthly pension or a lump-sum pension.

- B. The company's overseas subsidiaries set aside a monthly pension based on a certain percentage of the total salary of local employees. The company has no further obligations other than the monthly payment.
- C. In the consolidated profit and loss statement of the consolidated company in year ended December 31<sup>st</sup>, 2020 & 2019, the pension cost of the afore-mentioned pension method was NTD 6,402,000 and NTD 6,396 thousand, respectively.

2. Determine the welfare plan:

In accordance with the provisions of the "Labor Standards Law", the company and its domestic subsidiaries have established welfare-determined retirement measures, which are applicable to the years of service of all regular employees before the implementation of the "Labor Pension Regulations" on July 1<sup>st</sup>, 2015, and in the implementation of the "Labor Pension Regulations" choose to continue to apply the labor standard law employees' follow-up service years. For employees who meet the retirement conditions, the pension payment is calculated based on the length of service and the average salary of the 6 months before retirement, service years of less than 15 years (inclusive) will be given 2 bases for each full year, and service years of more than 15 years will be given 1 base for each full year, but the cumulative maximum is limited to 45 bases. The company and its domestic subsidiaries allocate 3% to 10% of the total salary monthly to the retirement fund, which is deposited in the Bank of Taiwan in a special account in the name of the Labor Retirement Reserve Supervisory Committee. In addition, before the end of each year, the company and its domestic subsidiaries will estimate the balance of the special account for workers' retirement reserves in the preceding paragraph. If the balance is not enough to pay the pension amount calculated in accordance with the foregoing calculation for the estimated eligible workers in the next year, the company and

the domestic subsidiary will withdraw the balance before the end of March of the following year. This special account is managed by the Labor Fund Utilization Bureau of the Ministry of Labor, and the company has no right to influence the investment management strategy.

The confirmed benefit plan amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ (69,277)	\$ (63,822)
Fair value of plan assets	34,915	28,234
Net defined benefit liability	\$ (34,362)	\$ (35,588)

The changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1, 2020	\$ (63,822)	\$ 28,234	\$ (35,588)
Service cost			
Current service cost	(1,049)	—	(1,049)
Interest expense	(433)	187	(246)
Components of defined benefit costs recognized in profit or loss	(1,482)	187	(1,295)
Remeasurement on the net defined benefit liability:			
Return on plan assets(excluding amounts included in interest expense)	—	981	981
Changes in financial assumptions	(1,897)	—	(1,897)
Experience adjustments	(2,076)	—	(2,076)
Components of defined benefit costs recognized in other comprehensive income	(3,973)	981	(2,992)
Contributions from employers	—	5,513	5,513
Benefits paid	—	—	—
Balance at December 31, 2020	\$ (69,277)	\$ 34,915	\$ (34,362)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1, 2019	\$ (61,748)	\$ 25,895	\$ (35,853)
Service cost			
Current service cost	(1,061)	—	(1,061)
Interest expense	(545)	223	(322)
Components of defined benefit costs recognized in profit or loss	(1,606)	223	(1,383)
Remeasurement on the net defined benefit liability:			
Return on plan assets(excluding amounts included in interest expense)	—	853	853
Changes in financial assumptions	(1,013)	—	(1,013)
Experience adjustments	(832)	—	(832)
Components of defined benefit costs recognized in other comprehensive income	(1,845)	853	(992)
Contributions from employers	—	2,640	2,640
Benefits paid	1,377	(1,377)	—
Balance at December 31, 2019	\$ (63,822)	\$ 28,234	\$ (35,588)

The consolidated company is exposed to the following risks due to the pension system of the "Labor Standards Law":

1. Investment risk: The Labor Fund Utilization Bureau of the Ministry of Labor invests labor retirement funds in equity securities, debt securities, and bank deposits through its own use and entrusted operations, but in accordance with the provisions of the "Labor Standards Law", the overall asset return It must not be lower than the local bank's 2-year fixed deposit interest rate; if the interest rate is lower than that, the national treasury will make up for it.
2. Interest rate risk: The decline in the interest rate of government bonds will increase the present value of defined welfare obligations, but the debt investment returns of planned assets will also increase, and the impact of the two on the net defined welfare liabilities will partially offset the effect.
3. Salary risk: The calculation for determining the present value of the benefit obligation refers to the future salary of the plan members. Therefore, the increase in the salary of the plan members will increase the present value of the determined benefit obligation. The main assumptions of actuarial evaluation are listed as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.3%	0.6%~0.7%
Future salary increase rate	1.0%~1.5%	1.0%~1.5%

The changes in the main actuarial assumptions adopted on December 31st 2020 & 2019, will increase (decrease) the present value of the determined benefit obligation as follows:

December 31, 2020	Increase of actuarial assumptions 0.25%	Decrease of actuarial assumptions 0.25%
Discount rate	\$ (1,258)	\$ 1,291
Future salary increase rate	\$ 1,105	\$ (1,083)

  

December 31, 2019	Increase of actuarial assumptions 0.25%	Decrease of actuarial assumptions 0.25%
Discount rate	\$ (1,262)	\$ 1,298
Future salary increase rate	\$ 1,130	\$ (1,106)

The sensitivity analysis above is based on the analysis of the impact of a single assumption change while other assumptions remain unchanged. In practice, many changes in assumptions may be linked. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The methods and assumptions used in preparing the sensitivity analysis in this period are the same as those in the previous period.

As of December 31st, 2020, the weighted average duration of the retirement plan was 7 to 8 years. In addition, the consolidated company expects to allocate NTD 2,638 thousand to the confirmed benefit plan within one year after the reporting date on December 31st, 2020.

(21) Equity

	December 31, 2020	December 31, 2019
Authorized capital	\$ 4,500,000	\$ 4,500,000
Issued capital	\$ 2,771,575	\$ 2,771,575

As of December 31st, 2020 & 2019, the company's nominal number of shares was 450,000 thousand shares, each with a par value of NTD 10, and the number of issued shares was 277,158 thousand shares.

(22) Capital Reserve

	FY 2020		
	Dividend of a claim extinguished by a prescription	From share of changes in equities of subsidiaries	Total
Balance at January 1, 2020	\$ 259	\$ —	\$ 259
From share of changes in equities of subsidiaries	—	1,343	1,343
Balance at December 31, 2020	\$ 259	\$ 1,343	\$ 1,602

	FY 2019
	Dividend of a claim extinguished by a prescription
Balance at January 1, 2019	\$ 259
Balance at December 31, 2019	

According to the provisions of the Company Law, the surplus from the issuance of shares in excess of the par value and the capital reserve obtained from the donation can be used to make up for losses. When the company has no accumulated losses, new shares or shares will be issued in proportion to the shareholders' original shares. cash. In addition, in accordance with the relevant provisions of the Securities Exchange Law, when the capital reserve above is allocated for capitalization, the total amount shall not exceed 10% of the paid-in capital each year. The company shall not use the capital reserve to

supplement the capital loss unless the surplus reserve is still insufficient to fill the capital loss.

(23) Retention of surplus and dividend policy:

1. According to the company's articles of association, if there is a surplus in the annual final accounts, the tax should be paid first to make up for the losses of the previous years. The 10% of the second allocation is the statutory surplus reserve, but when the statutory surplus reserve has reached the paid-in capital, It may no longer be listed. After the rest of the special surplus reserve is allocated or converted according to laws or regulations or the competent authority, together with the undistributed surplus at the beginning of the period, the board of directors shall draft a surplus distribution proposal and submit it to the shareholders meeting to resolve the distribution of shareholder dividends.
2. In addition, in accordance with the provisions of the company's articles of association on dividend policy, based on the company's operational needs and the consideration of maximizing shareholders' equity, the company's dividend policy will be based on the company's future capital expenditure budget and capital needs, the proportion of cash dividends shall not be less than 30% of the total dividends.
3. The statutory surplus reserve shall not be used except for making up the company's losses and issuing new shares or cash in proportion to the shareholders' original shares. However, if new shares or cash are issued, the portion of the reserve exceeding 25% of the paid-in capital shall be used as limit.
4. The company draws up and reverts the special surplus reserve in accordance with FSC Certificate No. 1010012865 and the "Questions and Answers Concerning the Application of Special Surplus Reserves after the adoption of International Financial Reporting Standards (IFRSs)". When the deduction balance of other shareholders' equity is reversed thereafter, the surplus may be distributed on the reversed part.
5. The company will hold a meeting of board of directors on March 29<sup>th</sup>, 2021, and proposes a surplus distribution proposal for the year ended December 31<sup>st</sup>, 2020. The distribution situation is as follows:

	Amount	Cash dividends per share(NT\$)
Legal capital reserve	\$ 4,370	\$ —
Special capital reserve	35,135	—
Cash dividends to shareholders	27,716	0.1
	\$ 67,221	

For information about the afore-mentioned surplus distribution, please inquire through channels such as the "Public Information Observatory" of the Taiwan Stock Exchange.

6. On June 15<sup>th</sup>, 2020, the company passed a resolution of the shareholders' meeting to approve the profit distribution plan of the year ended December 31<sup>st</sup>, 2019. The distribution situation is as follows:

	Amount	Cash dividends per share(NT\$)
Legal capital reserve	\$ 5,473	\$ —
Cash dividends to shareholders	60,975	0.22
	\$ 66,448	

For information about the afore-mentioned surplus distribution, please inquire through channels such as the "Public Information Observatory" of the Taiwan Stock Exchange.

7. The company passed the resolution of the shareholders' meeting on June 27<sup>th</sup>, 2019 and passed the profit distribution plan of the year ended December 31<sup>st</sup>, 2018. The distribution situation is as follows

	Amount	Cash dividends per share(NT\$)
Legal capital reserve	\$ 14,828	\$ —
Cash dividends to shareholders	88,690	0.32
	\$ 103,518	

For information about the afore-mentioned surplus distribution, please inquire through channels such as the "Public Information Observatory" of the Taiwan Stock Exchange.

**(24) Special surplus reserve:**

The company's original retained earnings (cumulative loss) was negative (cumulative loss) of NTD 175,305 thousand before the conversion of IFRSs on January 1st, 2013, and the net increase in undistributed surplus due to the conversion of IFRSs was NTD 379,723 thousand, the FSC Certificate No. 1010012865 of April 6<sup>th</sup>, 2012 stipulates that a special surplus reserve

of NTD 204,418 thousand shall be set aside within the scope of the surplus amount. When the company subsequently uses, disposes, or reclassifies related assets, the original proportion of special surplus reserves shall be reversed.

(25) Other equity items:

	Exchange differences arising on translation of foreign operations	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Total
Beginning balance as of Jan.1,2020	\$ (489,535)	\$ 49,617	\$ (439,918)
Exchange differences arising on translation of foreign operations	24,065	—	24,065
Adjustments from evaluation	—	(28,305)	(28,305)
Income tax effect	(4,813)	—	(4,813)
Ending balance as of December 31,2020	\$ (470,283)	\$ 21,312	\$ (448,971)
	Exchange differences arising on translation of foreign operations	Unrealized gain(loss) on financial assets at fair value through other comprehensive income	Total
Beginning balance as of Jan.1,2019	\$ (443,077)	\$ (8,166)	\$ (451,243)
Exchange differences arising on translation of foreign operations	(58,072)	—	(58,072)
Adjustments from evaluation	—	57,783	57,783
Income tax effect	11,614	—	11,614
Ending balance as of December 31,2019	\$ (489,535)	\$ 49,617	\$ (439,918)

## (26) Non-controlling Interests

	For the year ended December 31,2020	For the year ended December 31,2019
Beginning balance	\$ (457)	\$ 4,801
Additional paid-in capital	(1,343)	—
Net loss for current period	(2,598)	(6,166)
Other comprehensive income for current period		
Exchange differences arising on translation of foreign operations	(88)	48
Increase or decrease on non-control interests	—	860
	<u>\$ (4,486)</u>	<u>\$ (457)</u>

## (27) Operating Income

	For the year ended as of December 31,2020	For the year ended as of December 31,2019
Revenue of contracts with customer		
Revenue from sale of goods	\$ 1,050,550	\$ 1,133,654
Revenue from service	70,691	63,302
	<u>1,121,241</u>	<u>1,196,956</u>
Rental income	139,246	150,234
Other operating revenue	29,291	3,029
Less: Operating revenue from discontinued operations	(8,901)	(9,625)
Total	<u>\$ 1,280,877</u>	<u>\$ 1,340,594</u>

1. Please refer to Note 4 (16) for the description of revenue from customer contracts.

2. Contract balance

	As of December 31,2020	As of December 31,31,2019
Notes and accounts receivable (Note 6(5))	\$ 123,090	\$ 148,831
Contract liabilities-current		
Sales of goods sold	\$ 23,694	\$ 15,546

3. Subdivision of customer contract entry

	For the year ended December 31,2020		
	AAL	Taiwan	Total
Revenue from sale of goods sold	\$ 411,684	\$ 638,866	\$ 1,050,550
Revenue from service	—	70,691	70,691
Total	\$ 411,684	\$ 709,557	\$ 1,121,241

	For the year ended December 31,2019		
	AAL	Taiwan	Total
Revenue from sale of goods sold	\$ 391,072	\$ 742,582	\$ 1,133,654
Revenue from service	—	63,302	63,302
Total	\$ 391,072	\$ 805,884	\$ 1,196,956

4. Refund liabilities (list other current liabilities)

Based on historical experience and other known reasons, the consolidated company's estimated sales return and discount liabilities for the year ended December 31st, 2020 & 2019 were NTD 68,205 thousand and NTD 51,202 thousand, respectively, as of December 31st, 2020 and 2019, the balance of refund liabilities is NTD 27,084 thousand and NTD 13,162 thousand respectively.

(28) Operating cost

	For the year ended December 31,2020	For the year ended December 31,2019
Cost of good sold	\$ 828,528	\$ 858,392
Loss allowance on inventory	12,185	4,572
Service cost	79,614	70,351
Depreciation and house tax	32,607	34,461
Others	32,651	57,918
Operating cost attributable to discontinued operations	(5,044)	(5,452)
Total	\$ 980,541	\$ 1,020,242

(29) Interest income

	For the year ended December 31,2020	For the year ended December 31,2019
Interest of bank deposits	\$ 3,361	\$ 5,732
Other interest	22	10
Interest income attributable to discontinued operation	(116)	(75)
Total	\$ 3,267	\$ 5,667

(30) Other income

	For the year ended December 31,2020	For the year ended December 31,2019
Rental income	\$ 11,276	\$ 13,884
Dividend income	7,650	4,244
Guarantee income	29,080	30,352
Other income	4,565	4,223
Other income attributable to discontinued operations	(818)	(526)
Total	\$ 51,753	\$ 52,177

(31) Other gains and losses

	For the year ended December 31,2020	For the year ended December 31,2019
Gain (loss) on disposal or retirement of property 、 plant and equipment	\$ 526	\$ (72)
Gain on disposal of investment property	2,683	—
Gain on disposal of investments	78	71
Gain(loss)on translation of foreign currency	(7,099)	7,505
Gain(loss) on financial assets at fair value through profit and loss	(5)	136
Gain on lease modification	37	—
Impairment on intangible assets	(7,714)	—
Others	(661)	1,736
Other gain and loss attributable to discontinued operations	(4,762)	201
Total	\$ (16,917)	\$ 9,577

(32) Financial costs

	For the year ended December 31,2020	For the year ended December 31,2019
Interest expense from bank loan	\$ 9,400	\$ 14,506
Interest expense from lease liabilities	1,085	1,148
Other interest expense	1	4
Total	<u>\$ 10,486</u>	<u>\$ 15,658</u>

(33) Additional information on the nature of the fee

1. The employee benefits, depreciation and amortization expenses incurred in the current period are summarized as follows according to the function:

By nature \ By function	For the year ended December 31,2020		
	Recognized in cost of revenue	Recognized in operating Expense	Total
Employee benefits expense			
Payroll expense	\$ 81,176	\$ 120,360	\$ 201,536
Employee insurance expense	4,788	5,168	9,956
Post-employment benefits expense	2,674	5,023	7,697
Other employee benefits	4,653	6,485	11,138
Depreciation	42,558	19,016	61,574
Amortization	1,697	6,870	8,567

By nature \ By function	For the year ended December 31,2019		
	Recognized in cost of revenue	Recognized in operating Expense	Total
Employee benefits expense			
Payroll expense	\$ 69,204	\$ 120,397	\$ 189,601
Employee insurance expense	5,163	5,691	10,854
Post-employment benefits expense	2,559	5,220	7,779
Other employee benefits	2,715	8,371	11,086
Depreciation	40,341	18,155	58,496
Amortization	1,216	6,848	8,064

2. Employee benefits

- (1) According to the articles of association of the company, if the company makes a profit in the current year, it shall allocate no less than 5% for employee remuneration and no more than 4% for directors' remuneration; independent directors do not

participate in the distribution, but the company still accumulates in the event of a loss, the compensation amount shall be reserved. Employee remuneration can be made in stocks or cash, and its payment objects may include employees of affiliated companies who meet the conditions set by the board of directors.

The current year's profit as mentioned in the preceding paragraph refers to the current year's pre-tax benefits before deducting the distribution of employee compensation and directors' compensation.

The distribution of employee remuneration and directors' remuneration shall be made by the board of directors with more than two-thirds of the directors' present and a resolution approved by more than half of the directors present, and report to the shareholders meeting.

- (2) The employee compensation and director compensation estimated by the company in the year ended December 31st, 2020 & 2019 are estimated at 5% and 4% respectively:

	For the year ended December 31,2020	For the year ended December 31,2019
Employee compensation	\$ 2,592	\$ 3,018
Director's remuneration	\$ 2,073	\$ 2,414

The estimated amount is consistent with the amount resolved by the board of directors. The above employee compensation and director compensation will be paid in cash.

- (3) After the annual consolidated financial report is approved and issued, if the amount still changes, it will be treated according to the change in accounting estimates and adjusted and recorded in the next year.
- (4) Information on employee remuneration and directors' remuneration approved by the company's board of directors can be found at the Public Information Observatory.

#### (34) Income Tax

1. The adjustment of the income tax expense recognized in the profit and loss of the consolidated company in year ended December 31st, 2020 & 2019 is as follows

	For the year ended December 31,2020	For the year ended December 31,2019
Income tax calculated based on profit before tax and statutory rate	\$ 42,615	\$ 39,712
Income tax effect of deductible items under Tax Act	5,629	8,270
Tax-exempt on disposal of land	33,732	—
Effect of income tax carryforwards	2,098	(6,849)
Income tax adjustments on prior years	(64,120)	179
Current temporary differences	17,240	(25,397)
Income tax expense	<u>\$ 37,194</u>	<u>\$ 15,915</u>

The composition of income tax recognized in profit and loss for the current year is as follows:

	For the year ended December 31,2020	For the year ended December 31,2019
Current Income tax	\$ 31,351	\$ 15,779
Deferred income tax	5,843	136
Income tax expense recognized in profit and loss	<u>\$ 37,194</u>	<u>\$ 15,915</u>

2. The income tax of the consolidated company recognized under other comprehensive profits and losses in year ended December 31st, 2020 & 2019.

	For the year ended December 31,2020	For the year ended December 31,2019
Deferred income tax		
Remeasurement of defined benefit obligation	\$ (598)	\$ (199)
Translation difference in foreign operations	4,813	(11,614)
Income tax recognized in other comprehensive income	<u>\$ 4,215</u>	<u>\$ (11,813)</u>

3. Current income tax assets and current income tax liabilities:

(1) Income tax assets for the current period (listed other current assets)

	As of December 31,2020	As of December 31,2019
Tax return receivable	<u>\$ 797</u>	<u>\$ 469</u>

## (2) Income tax liabilities for the current period

	As of December 31,2020	As of December 31,2019
Tax payable	\$ 3,892	\$ 4,412

## 4. Deferred income tax assets and liabilities

(1) The analysis of deferred income tax assets is as follows:

	As of December 31,2020				
	Balance as of Jan 1	Recognized in Profit or loss during the period	Recognized in other comprehensive income (loss)	Effect of changes in foreign exchange rates	Balance as of Dec. 31
Temporary differences					
Unrealized loss on inventory valuation	\$ 180	\$ 5,039	\$ —	\$ 117	\$ 5,336
Allowance for loss	23,557	(11,475)	—	138	12,220
Unrealized warranty liability	224	(68)	—	2	158
Defined benefit obligation	745	—	598	—	1,343
Cumulative translation differences in foreign operation	68,122	—	(4,813)	—	63,309
Operating loss carryforward	113,428	(25,552)	—	—	87,876
	<u>\$ 206,256</u>	<u>\$ (32,056)</u>	<u>\$ (4,215)</u>	<u>\$ 257</u>	<u>\$ 170,242</u>

	As of December 31,2019				
	Balance as of Jan 1	Recognized in Profit or loss during the period	Recognized in other comprehensive income (loss)	Effect of changes in foreign exchange rates	Balance as of Dec. 31
Temporary differences					
Unrealized loss on inventory valuation	\$ 186	\$ —	\$ —	\$ (6)	\$ 180
Allowance for loss	24,272	—	—	(715)	23,557
Unrealized warranty liability	231	—	—	(7)	224
Defined benefit obligation	483	63	199	—	745
Cumulative translation differences in foreign operation	56,508	—	11,614	—	68,122
Operating loss carryforward	113,428	—	—	—	113,428
	<u>\$ 195,108</u>	<u>\$ 63</u>	<u>\$ 11,813</u>	<u>\$ (728)</u>	<u>\$ 206,256</u>

(2) The analysis of deferred income tax liabilities is as follows:

As of December 31,2020					
	Balance as of Jan 1	Recognized in Profit or loss during the period	Recognized in other comprehensive income (loss)	Effect of changes in foreign exchange rates	Balance as of Dec. 31
Temporary Differences					
Gain on valuation of financial asset	\$ (431)	\$ 431	\$ —	\$ —	\$ —
Reserve for land revaluation increment	(25,517)	—	—	—	(25,517)
Investment income of long-term equity	(113,428)	25,552	—	—	(87,876)
Defined benefit obligation	(230)	230	—	—	—
Others	(11,010)	—	—	356	(10,654)
	<u>\$ (150,616)</u>	<u>\$ 26,213</u>	<u>\$ —</u>	<u>\$ 356</u>	<u>\$ (124,047)</u>
As of December 31,2019					
	Balance as of Jan 1	Recognized in Profit or loss during the period	Recognized in other comprehensive income (loss)	Effect of changes in foreign exchange rates	Balance as of Dec. 31
Temporary Differences					
Gain on valuation of financial asset	\$ (49)	\$ (382)	\$ —	\$ —	\$ (431)
Reserve for land revaluation increment	(25,517)	—	—	—	(25,517)
Investment income of long-term equity	(113,428)	—	—	—	(113,428)
Defined benefit obligation	(413)	183	—	—	(230)
Others	(11,108)	—	—	98	(11,010)
	<u>\$ (150,515)</u>	<u>\$ (199)</u>	<u>\$ —</u>	<u>\$ 98</u>	<u>\$ (150,616)</u>

5. Items not recognized as deferred income tax assets

	As of December 31,2020	As of December 31,2019
Amount for operating loss carryforwards	<u>\$ 259,125</u>	<u>\$ 243,474</u>
Amounts for temporary differences	<u>\$ 140,706</u>	<u>\$ 130,578</u>

6. As of December 31st, 2020, the undeducted losses of the consolidated company and the deduction period are as follows:

Occurrence year	Amount Declared /Amount Approved	Maturity year	Operating loss carryforwards
FY2006	Reviewed	2021	\$ 12,160
FY2007	Reviewed	2022	31,896
FY2008	Reviewed	2023	20,040
FY2009	Reviewed	2024	8,487
FY2020	Reviewed	2025	5,897
FY2020	Reviewed	2027	19,145
FY2001	Approved	2021	32,727
FY2004	Approved	2024	390,553
FY2005	Approved	2025	11,952
FY2007	Approved	2027	120,090
FY2008	Reviewed	2028	38,446
FY2009	Reviewed	2029	1,755
FY2020	Reviewed	2030	5,356
			\$ 698,504

7. The company's and domestic subsidiaries' profit-making business income tax assessment status is as follows:

Company name	Year of Assessment
The company	2018
Realise Tech-service Co.,Ltd	2018

### (35) Earnings Per Share

	For the year ended Dec.31,2020	For the year ended Dec.31,2019
Basic earnings per share		
Continuing operation income	\$ 0.15	\$ 0.19
Discontinued operation income	0.02	0.01
Total for Basic earnings per share	\$ 0.17	\$ 0.20
Earnings per share-diluted		
Continuing operation income	\$ 0.15	\$ 0.19
Discontinued operation income	0.02	0.01
Total for earnings per share-diluted	\$ 0.17	\$ 0.20

## 1. Basic earnings per share

	For the year ended December 31,2020	For the year ended December 31,2019
Net Income attributable to stockholders of the parent company-Continuing operations	\$ 39,385	\$ 52,834
Net income attributable to stockholders of the parent company-Discontinued operation	6,711	1,902
Net income attributable to stockholders of the parent company	<u>\$ 46,096</u>	<u>\$ 54,736</u>
Weighted-average number of common stocks for basic earnings per share (thousand shares)	<u>277,158</u>	<u>277,158</u>
Earnings per share-basic (NTD)— Continuing operations	\$ 0.15	\$ 0.19
Earnings per share-basic(NTD)— Discontinued operation	0.02	0.01
Earnings per share-basic(NTD)	<u>\$ 0.17</u>	<u>\$ 0.20</u>

## 2. Diluted earnings per share

	For the year ended December 31,2020	For the year ended December 31,2019
Net income attributable to stockholders of the parent company— Continuing operations	\$ 39,385	\$ 52,834
Net income attributable to stockholders of the parent company— Discontinued operation	6,711	1,902
Net income attributable to stockholders of the parent company	<u>\$ 46,096</u>	<u>\$ 54,736</u>
Weighted-average number of common stocks for basic earnings per share (thousand shares)	<u>277,158</u>	<u>277,158</u>
Compensation of employees (thousand shares)	431	954
Weighted-average number of common stocks for earnings per share-diluted (thousand shares)	<u>277,589</u>	<u>278,112</u>
Earnings per share-basic (NTD)— Continuing operations	\$ 0.15	\$ 0.19
Earnings per share-basic (NTD)— Discontinued operation	0.02	0.01
Earnings per share-basic (NTD)	<u>\$ 0.17</u>	<u>\$ 0.20</u>

If the company can choose to pay employee compensation in stocks or cash, when calculating the diluted earnings per share, it is assumed that the employee compensation will be issued in the form of stocks, and the weighted average number of shares outstanding when the potential common stock has a dilutive effect is calculated as

diluted earnings per share. When calculating the diluted earnings per share before deciding on the number of shares to be issued for employee compensation in the following year, the dilution effect of these potential ordinary shares will also continue to be considered.

### (36) Business Combination

#### 1. Acquisition of subsidiaries:

	Main business and products	Acquisition date	Voting ownership interest/Acquisition percentage	Consideration transferred
Action Intelligent(Shenzhen) Co.,Ltd	R&D and sales of AI products	April 16,2019	100%	\$ —
ATZ Electronics Co.,Ltd	R&D and sales of auto products	April 12,2019	51%	\$ 9,041

The consolidated company plans to strengthen the development of smart products for automobiles and home appliances and acquire 100% of the shares of AIS.

The consolidated company plans to expand the automotive electronics market in mainland China and acquires 51% of the equity of ATZ Electronics Co.,Ltd.

#### 2. Transfer consideration

	Action Intelligent(Shenzhen) Co.,Ltd	ATZ Electronics Co.,Ltd
Cash	\$ —	\$ 9,041

#### 3. Assets acquired, and liabilities assumed on the date of acquisition

	Action Intelligent(Shenzhen) Co.,Ltd	ATZ Electronics Co.,Ltd
<b>Assets</b>		
Cash and cash equivalents	\$ 2,058	\$ 26
Other receivables	24	90
Inventories	—	3,850
Prepayments	—	142
Property, plant and equipment	704	380
Others	131	10
<b>Liabilities</b>		
Accounts payable	(1,480)	(130)
Other payables	—	(2,612)
Unearned Receipts	(1,437)	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 1,756</b>

#### 4. Non-controlling interests

The non-controlling interests of Pyramids Technology Corp. (49% of all interests) are measured by the identifiable net assets of non-controlling interests at the acquisition date of NTD 860 thousand.

#### 5. Goodwill arising from acquisitions:

	ATZ Electronics Co.,Ltd
Consideration transferred	\$ 9,041
Less : The fair value of the net identifiable assets acquired	(896)
Goodwill arising from acquisitions	\$ 8,145

The goodwill generated by the acquisition of Pyramids Technology Corp. is mainly derived from the control premium. In addition, the consideration paid includes expected revenue growth and future market development. However, these benefits do not meet the recognition conditions for identifiable intangible assets, so they are not separately recognized.

#### 6. Obtaining the net cash outflow of the subsidiary

	Action Intelligent(Shenzhen) Co.,Ltd	ATZ Electronics Co.,Ltd
Cash payment consideration	\$ —	\$ 9,041
Less : Balance for cash and cash equivalents acquired	(2,058)	(26)
	\$ (2,058)	\$ 9,015

#### 7. The impact of business combination on business results

	For the year ended December 31,2019	
	Action Intelligent(Shenzhen) Co.,Ltd	ATZ Electronics Co.,Ltd
Revenue	\$ —	\$ —
Net loss	\$ (23,291)	\$ (5,628)

### (37) Cash Flow Information

#### 1. Investment activities with only partial cash payment:

(1) Property, plant, and equipment

	For the year ended December 31,2020	For the year ended December 31,2019
Purchase during current period	\$ 8,970	\$ 22,069
Add : Payables for equipment for year commencement	—	763
Less : Payables for equipment for year end	(667)	—
Less : Prepaid equipment expense	(2,545)	—
Cash payment during current period	<u>\$ 5,758</u>	<u>\$ 22,832</u>

(2) Investment property

	For the year ended December 31,2020	For the year ended December 31,2019
Purchase during current period	\$ 117,776	\$ 7,710
Effects of foreign exchange rates	—	(32)
cash payment during current period	<u>\$ 117,776</u>	<u>\$ 7,678</u>

2. Changes in liabilities from financing activities

	Short term loan	Deposit received	Lease debt	Total liabilities from financing
As of Jan.1,2020	\$ 552,523	\$ 20,122	\$ 43,787	\$ 616,432
Change in financing cash flow	(19,536)	1,654	(19,872)	(37,754)
Change in lease debt	—	—	13,605	13,605
Change in other non-cash	—	(762)	—	(762)
The effects of change in foreign exchange rates	(1,938)	(574)	218	(2,294)
As of Dec.31,2020	<u>\$ 531,049</u>	<u>\$ 20,440</u>	<u>\$ 37,738</u>	<u>\$ 589,227</u>

	Short term loan	Deposit received	Lease debt	Total liabilities from financing
As of Jan.1,2019 (After Remake)	\$ 730,629	\$ 25,049	\$ 34,304	\$ 789,982
Change in financing	(177,560)	(2,432)	(15,021)	(195,013)
Change in lease debt	—	—	25,143	25,143
Change in other non-cash	—	(1,868)	—	(1,868)
The effects of change in foreign exchange rates	(546)	(627)	(639)	(1,812)
As of December 31,2019	<u>\$ 552,523</u>	<u>\$ 20,122</u>	<u>\$ 43,787</u>	<u>\$ 616,432</u>

(38) Capital Risk Management

The capital management objectives of the combined company are to ensure that the consolidated company can continue to operate, maintain the best capital structure to reduce capital costs, and provide remuneration to shareholders. In order to maintain or adjust the capital structure, the combined company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### (39) Financial Instruments

#### 1. Types of financial instruments

	As of December 31,2020	As of December 31,2019
<u>Financial assets</u>		
Cash and cash equivalents	\$ 520,648	\$ 568,389
Financial assets at fair value through profit or loss-current	2,893	2,898
Financial assets at fair value through other comprehensive income (non-current included)	87,312	115,617
Financial asset at amortized cost— current	125,924	131,066
Notes receivable	12,736	12,853
Accounts receivable	110,354	135,978
Other receivables	38,278	78,523
Other financial assets	15,670	—
Refundable deposit (non-current included)	6,663	4,036
<u>Financial liabilities</u>		
Short-term loan	\$ 531,049	\$ 552,523
Notes payable	3,822	2,768
Accounts payable	109,710	103,901
Other payables	135,598	147,091
Deposit received (non-current included)	20,440	20,122

#### 2. Fair value information of financial instruments

The consolidated company divides financial instruments measured by amortized cost (including cash and cash equivalents, financial assets measured by amortized cost-current, bills receivable, accounts receivable, other receivables, other financial assets, the book amount of deposits of margin, short-term loans, notes payable, accounts payable, other payables and deposited margin) is a reasonable approximation of the fair value. For information on the fair value of financial instruments measured by fair value, please refer to Note 6 (40).

#### 3. Financial risk management policy:

The financial risk management policies of the consolidated company are affected by the characteristics of the electronics and home appliance industries. The financial risks faced by the consolidated company include changes in working capital, credit risk and financial product investment.

In order to achieve the best risk position, the consolidated company intends to adopt the

following different strategies for different risks:

(1) Hedging strategies for changes in working capital:

The consolidated company has appropriate short-term bank loan quotas, and controls the timing of cash inflows and outflows, so as to maintain proper liquidity in capital allocation.

(2) Credit risk:

The consolidated company has a strict credit evaluation policy, which only deals with counterparties with good credit status, and uses credit protection measures in a timely manner to reduce credit risk.

(3) Financial product investment:

Among the equity financial products invested by the consolidated company, the financial assets whose fair value changes are included in the profit and loss and other comprehensive gains and losses have an active market, and the financial assets can be easily sold in the market at a price close to the fair value, and no significant flow is expected to have current risk.

(4) In terms of risk control, the head of the financial department shall conduct regular assessments to monitor transactions and profit and loss at any time, and report to the board of directors when abnormalities are found.

4. The nature and extent of major financial risks:

(1) Market risk

A. Exchange rate risk

(A) If the purchase and sales of the consolidated company are denominated in U.S. dollars, the fair value will change according to market exchange rate fluctuations. However, the company holds foreign currency assets and liabilities that are equal during the period of receipt and payment, and the major market risks can be compared with each other and offset.

(B) The business of the consolidated company involves a number of functional currencies. Therefore, due to exchange rate fluctuations, foreign currency assets and liabilities are affected by exchange rate fluctuations. Information on foreign currency assets and liabilities is as follows:

Unit: Thousands of Foreign Currency/ Thousands of NTD  
For the year ended December 31,2020

<u>(Foreign currency : Functional currency)</u>	Foreign Currency	Exchange Rates	Carrying amount (NTD)	Sensitivity Analysis		
				Percentage of change	Impact on P&L	Impact on Equity
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : HKD	\$ 1,005	7.75	\$ 28,617	1%	\$ 28€	\$ 244
USD : CNY	1,764	6.51	50,234	1%	502	377
USD : NTD	3,156	28.48	89,884	1%	899	719
USD : MYR	4,900	4.01	139,540	1%	1,395	1,060
USD : SGD	774	1.32	22,052	1%	221	183
CNY : HKD	203	1.19	889	1%	9	8
CNY : NTD	121	4.38	527	1%	5	4
SGD : NTD	13	21.56	274	1%	3	2
EUR : NTD	4	35.02	147	1%	1	1
<u>Non-monetary items</u>						
USD : HKD	3	7.75	96			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : HKD	398	7.75	11,321	1%	113	94
USD : NTD	1,267	28.48	36,098	1%	361	289
USD : MYR	3,254	4.01	92,684	1%	927	705
CNY : NTD	3	4.38	117	1%	1	1

For the year ended December 31,2019

<u>(Foreign currency : Functional currency)</u>	Foreign Currency	Exchange Rates	Carrying amount (NTD)	Sensitivity Analysis		
				Percentage of change	Impact on P&L	Impact on Equity
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD : HKD	\$ 2,762	7.80	\$ 82,807	1%	\$ 82€	\$ 698
USD : CNY	2,171	6.96	65,090	1%	540	488
USD : NTD	133	29.98	3,995	1%	40	32
USD : MYR	4,866	4.09	145,871	1%	1,459	1,109
USD : SGD	130	1.35	3,906	1%	39	32
CNY : HKD	203	1.12	874	1%	9	8
CNY : NTD	120	4.31	515	1%	5	4
SGD : NTD	13	22.28	283	1%	3	2
EUR : NTD	41	33.59	1,380	1%	14	11
<u>Non-monetary items</u>						
USD : HKD	23	7.8	688			
USD : NTD	2	29.98	54			
<u>Financial liability</u>						
<u>Monetary items</u>						
USD : HKD	285	7.80	8,543	1%	85	71
USD : NTD	289	29.98	8,655	1%	87	70
USD : MYR	2,043	4.09	61,251	1%	613	466

- (C) The unrealized exchange gains and losses of the consolidated company's monetary items that have a significant impact due to exchange rate fluctuations are explained as follows:

The foreign currency exchange gains (losses) (including realized and unrealized) of the consolidated company in the years ended December 31st, 2020 & 2019 were (NTD 7,099) thousand and NTD 7,505 thousand, respectively. Due to the various types of functional currencies of the merged entity, it is impossible to classify each major Affect foreign currency disclosure of exchange gains and losses.

#### B. Price Risk

- (A) Since the investment held by the amalgamating company has a public market price, the amalgamating company is exposed to price risk. In order to manage the price risk of financial instrument investment, the consolidated company has set a stop loss point, so it is expected that no significant price risk will occur. The consolidated company has no risk of commodity price risk.
- (B) The consolidated company mainly invests in financial products such as beneficiary certificates and domestic equity securities in the counter. The prices of these financial products will be affected by the uncertainty of the future value of the investment target. If the price of these financial products rises or falls by 1%, and all other factors remain unchanged, the net profit (loss) for after-tax in the years ended December 31st, 2020 & 2019 will be derived from the benefits of financial products measured at fair value through profit and loss. Or losses will increase or decrease by NTD 29,000; the gains or losses of equity investments measured at fair value in other comprehensive gains and losses will increase or decrease by NTD 873,000 and NTD 1,156 thousand, respectively.

#### C. Interest rate risk

If the borrowed money of the consolidated company is a fixed-rate debt, since changes in market interest rates will not affect future cash flows, there is no cash flow risk due to changes in interest rates, but fair value interest rate risks are borne.

For debts with floating interest rates, changes in market interest rates will cause the effective interest rates of debt financial products to change accordingly, which will cause future cash flows to fluctuate. Part of the risk is offset by cash held at floating interest rates and cash equivalents.

## (2) Credit Risk

- A. Credit risk is the risk of financial losses incurred by the consolidated company due to the inability of customers or financial instrument counterparties to fulfill contractual obligations. In accordance with the internally specified credit policy, each operating entity in the amalgamating company must conduct management and credit risk analysis on each of its new customers before deciding the terms and conditions for payment and delivery. The internal risk control system evaluates the credit quality of customers by considering their financial status, experience and other factors. The limits of individual risks are set by the board of directors based on internal and external ratings, and the use of credit lines is regularly monitored. When the consolidated company sells goods, it has assessed the credit status of the counterparty of the transaction. It is expected that the counterparty of the transaction will not default, so the possibility of credit risk is extremely low. The financial assets and liabilities held for trading are traded through market orders or transactions with counterparties with good credit. It is expected that the counterparties will not default, so the possibility of credit risk is not high.
- B. In the years ended December 31st, 2020 & 2019, there was no case of exceeding the credit limit, and the management did not expect any major losses due to the non-performance of the counterparty.

## (3) Liquidity Risk

- A. The cash flow forecast is executed by the financial department of the company and is summarized by the financial department of the company. The financial department of the company monitors the forecast of the liquidity requirements of the combined company to ensure that it has sufficient funds to meet its operational needs and maintain a sufficient unused loan commitment line at any time.

- B. When the remaining cash held by each operating entity exceeds the requirements for the management of working capital, the remaining funds are invested in interest-bearing demand deposits, time deposits and marketable securities, and the instruments selected by them have appropriate maturity. Daily may have sufficient liquidity to respond to the above forecast and provide sufficient dispatch water levels. As of December 31st, 2020 & 2019, the positions of the investments (except cash and cash equivalents) held by the consolidated company were NTD 159,169 thousand and NTD 249,581 thousand, respectively. It is expected that cash flow can be generated immediately to manage liquidity risk.
- C. The following table shows the non-derivative financial liabilities of the consolidated company, grouped according to the relevant maturity date. The non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. The contractual cash flow amount disclosed in the table below is the undiscounted amount.

	As of December 31,2020			
	Less than 1 year	1~2year	2~5year	Total
<u>Non-derivative financial liability</u>				
Short-term debt	\$ 532,590	\$ —	\$ —	\$ 532,590
Notes payable	3,822	—	—	3,822
Accounts payable	109,710	—	—	109,710
Other payables	135,598	—	—	135,598
Lease obligation (non-current included)	20,052	9,537	9,250	38,839
Deposit received (non-current included)	22	1,086	19,332	20,440
	<u>\$ 801,794</u>	<u>\$ 10,623</u>	<u>\$ 28,582</u>	<u>\$ 840,999</u>
	As of December 31,2019			
	Less than 1 year	1~2year	2~5year	Total
<u>Non-derivative financial liability</u>				
Short-term loan	\$ 554,542	\$ —	\$ —	\$ 554,542
Notes payable	2,768	—	—	2,768
Accounts payable	103,901	—	—	103,901
Other payables	147,091	—	—	147,091
Lease obligation (non-current included)	17,691	15,785	11,905	45,381
Deposit received (non-current included)	1,610	913	17,599	20,122
	<u>\$ 827,603</u>	<u>\$ 16,698</u>	<u>\$ 29,504</u>	<u>\$ 873,805</u>

#### (40) Fair Value Information

1. For information on the fair value of financial assets and financial liabilities of the consolidated company that are not measured by fair value, please refer to Note 6 (39) 2 for explanation. Please refer to Note 6 (14) for the information on the fair value of investment real estate measured by cost of the consolidated company.

2. The various levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Public quotation (unadjusted) of the same asset or liability in an active market.

Level 2: In addition to the public quotation included in the first level, the input value of an asset or liability that is directly (that is, price) or indirectly (that is derived from price) observable.

Level 3: The input value of an asset or liability that is not based on observable market data.

3. For financial instruments measured at fair value on December 31<sup>st</sup>, 2020 & 2019, the consolidated company is classified based on the nature, characteristics and risks of the assets and the basic level of fair value. The relevant information is as follows:

Fair value on a recurring basis	December 31,2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	\$ 2,893	\$ —	\$ —	\$ 2,893
Financial assets at fair value through other comprehensive income— current	87,312	—	—	87,312
Total	<u>\$ 90,205</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 90,205</u>
Fair value on a recurring basis	December 31,2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	\$ 2,898	\$ —	\$ —	\$ 2,898
Financial assets at fair value through other comprehensive income — noncurrent	115,617	—	—	115,617
Total	<u>\$ 118,515</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 118,515</u>

4. Evaluation techniques and assumptions used to measure fair value

The fair values of financial assets and financial liabilities that have standard terms and conditions and are traded in an active market are determined by reference to market quotes, including the stocks of the China Industrial Exchange and the beneficiary certificates of funds.

5. There was no transfer of the fair value hierarchy of financial assets in 2020 & 2019.

7. Related party transactions:

The transaction amount and balance between the company and its subsidiary (a related person of the company) have been eliminated when preparing the consolidated financial report and have not been disclosed in this note.

(1) Name and relationship of related parties:

<u>Related party name</u>	<u>Categories</u>
DEDE TECHNOLOGY (SHENZHEN) CO., LTD.	Associates
FARYEAR EDUCATION GROUP	Other related parties
TUNG YUH LOGISTICS CORPORATION	Other related parties (Note1)
YOU YUAN LAI INVESTMENT LTD.	Other related parties (Note 2)
BEST DENKI LTD.	Other related parties (Note 3)
WANG,KUO-CHIANG	Other related parties

Note 1: The company conducts director re-election at the shareholders' meeting on June 15<sup>th</sup>, 2020, and TUNG YUH LOGISTICS CORPORATION will not be a related party of the company from June 15<sup>th</sup>, 2020.

Note 2: The company conducts director re-election at the general meeting of shareholders on Jun.15, 2020, and YOU YUAN LAI INVESTMENT LTD. will be a related person of the company from June 15<sup>th</sup>, 2020.

Note 3: BEST DENKI LTD. was dissolved by a resolution of the board of directors on December 7<sup>th</sup>, 2017, and an extraordinary general meeting of shareholders was held on December 25<sup>th</sup>, 2017. It was approved that December 31st, 2017 was the date of dissolution. As of now, the liquidation process is still in progress.

(2) Major transactions with related parties:

1. Operating income-rental income

Related party categories/name	For the year ended December 31,2020	For the year ended December 31,2019
Other related parties	\$ 2,691	\$ —

2. Other operating costs

Related party categories/name	For the year ended December 31,2020	For the year ended December 31,2019
Other related Parties	\$ 1,646	\$ 5,329

3. Rental expenses: the rent is paid monthly and the price is negotiated by both parties.

Related party categories/name	For the year ended December 31,2020	For the year ended December 31,2019
Other related Parties	\$ 3,670	\$ 6,256

4. Logistics fees

Related party categories/name	For the year ended December 31,2020	For the year ended December 31,2019
Other related parties	\$ 10,060	\$ 24,205

5. Other income

(1) Rental income

Related party categories/name	For the year ended December 31,2020	For the year ended December 31,2019
Other related parties	\$ 320	\$ 320

(2) Endorsement guarantee income

Related party categories/name	For the year ended December 31,2020	For the year ended December 31,2019
DEDE TECHNOLOGY (SHENZHEN) CO., LTD.	\$ 29,080	\$ 30,352

6. Net accounts receivable

Related party categories/name	As of December 31,2020	As of December 31,2019
Other related parties	\$ 7,811	\$ 4,691
Less : Allowance for loss	(4,691)	(3,619)
Sub-Total	3,120	1,072
Account receivable attributable to discontinued segment	(3,120)	—
	\$ —	\$ 1,072

#### 7. Other receivables

Related party categories/name	As of December 31,2020	As of December 31,2019
BEST DENKI LTD.	\$ 93,353	\$ 93,353
Less : Allowance for loss	(74,469)	(63,110)
Sub-Total	18,884	30,243
Associates	5,252	7,748
Total	\$ 24,136	\$ 37,991

#### 8. Other payables

Related party categories/name	As of December 31,2020	As of December 31,2019
Other related parties	\$ 2,158	\$ 4,991
Associates	685	6,026
	\$ 2,843	\$ 11,017

#### 9. Deposit margin

Related party categories/name	As of December 31,2020	As of December 31,2019
Other related parties	\$ 92	\$ —

#### 10. Endorsement guarantee amount

Related party categories/name	As of December 31,2020	As of December 31,2019
DEDE TECHNOLOGY (SHENZHEN) CO., LTD.	\$ 315,144	\$ 309,960
YOU YUAN LAI INVESTMENT LTD.	50,000	50,000
Total	\$ 365,144	\$ 359,960

(1) The consolidated company guarantees the bank loan of the De-de company with the equity of the De-de company. The guarantee amount is RMB 72 million. Please refer to Note 8 and Attached Table 2.

(2) The consolidated company will issue a guarantee note of NTD 50,000 thousand to YOU YUAN LAI INVESTMENT LTD. as a guarantee for the completion of the "Yishengzhahui Science and Technology Park" development project. Please refer to Note 6 (11).

### (3) Reward for the main management

The remuneration information for directors and other key management members is as follows:

	For the year ended December 31,2020	For the year ended December 31,2019
Payroll and other short term employee benefits	\$ 36,363	\$ 29,076

### 8. Pledged assets

The details of the pledged assets of the consolidated company are as follows:

Items	Categories	Carrying amount	
		As of December 31,2020	As of December 31,2019
Time deposit (Financial asset at Amortized cost — current)	Bank line of credit	\$ 56,960	\$ —
Demand deposit(other current asset)	Seizured by court	15,670	—
Refundable deposit(noncurrent)	Purchase Guarantee	1,000	600
Investment using equity method	Bank loan for associates	540,091	536,155
Property plant and equipment-land and building	Bank line of credit	70,476	142,428
Right-of-use asset	Bank line of credit	10,712	11,471
Investment property-land and building	Bank line of credit	171,359	558,498
Total		\$ 866,268	\$ 1,249,152

### 9. Significant contingent liabilities and unrecognized contractual commitments

Except for those already mentioned in other notes, the major commitments, and contingencies of the consolidated company at the balance sheet date are as follows:

- (1) The consolidated company issues endorsement guarantee notes due to credit loan quotas and commitments. As of December 31<sup>st</sup>, 2020 and 2019, they were NTD 711,000 thousand and NTD 655,000 thousand, respectively.
- (2) The forward letters of credit issued by the consolidated company for purchasing commodities and raw materials as of December 31<sup>st</sup>, 2020 and 2019, were NTD 53,699 thousand and NTD 43,673 thousand in circulation, respectively.
- (3) A subsidiary of the company-Action Asia (Shenzhen) Co., Ltd. (Action Asia) and Shanghai Hanwang Geshi Equity Investment Fund Partnership (Limited Partnership) and Shanghai Geshi Equity Investment Fund Partnership in February 2015 (Limited Partnership) and He Anqi (hereinafter referred to as Shanghai Geshi Group) and other parties signed an agreement on the capital increase of Shenzhen Fuyunming Network Technology Co., Ltd. Shanghai Geshi Group believes that Shenzhen Fuyunming Internet Technology Co., Ltd. held

by its three parties has reached the equity repurchase conditions stipulated in the capital increase agreement, and Action Asia shall fulfill its obligation to repurchase shares and pay the share repurchase price. Therefore, in October 2019, an arbitration application was filed with the China International Economic and Trade Arbitration Commission, requesting that Action Asia should pay NTD 15,051 thousand (RMB 3,439 thousand) and interest of NTD 181,000 (RMB 41 thousand), and a false seizure of NTD 15,670 thousand (RMB 3,580 thousand) in the account funds of Action Asia was applied on January 19<sup>th</sup>, 2020. The case was heard by the China International Economic and Trade Arbitration Commission on September 14<sup>th</sup>, 2020 and is expected to be ruled before May 2<sup>nd</sup>, 2021. Due to the case being under trial, it is difficult to assess the impact on the merged company. In the future, if any additional impact of this event is generated, the consolidated company will evaluate it in accordance with accounting principles and disclose it in the financial report.

10. Major disaster losses: None.

11. Significant post-period events: none.

12. Others: None.

13. Note Disclosure Matters

When preparing the consolidated financial report, all major transactions between the parent and subsidiary companies and their balances have been eliminated.

(1) Information about major transactions:

1. Loan funds to others: Attached Table 1.
2. Endorsement guarantee for others: attached table two.
3. Circumstances of holding marketable securities at the end of the period: Attached Table 3.
4. The cumulative amount of buying or selling of the same securities reaches NTD 300 million or more than 20% of the paid-in capital: none.
5. The amount of real estate acquired reaches NTD 300 million or more than 20% of the paid-in capital: None.
6. The amount of disposition of real estate reaches NTD 300 million or more than 20% of the paid-in capital: None.
7. The amount of goods purchased or sold with related parties reaches NTD100 million or more than 20% of the paid-in capital: Note 4.

8. The amount due from a related party reaches NTD 100 million or more than 20% of the paid-in capital: None.
9. Engaged in derivatives trading: None.
10. Business relations and important transactions and amounts between parent and subsidiary companies and between subsidiaries: Attached Table 5.

(2) Relevant information about reinvestment business:

The name of the investee company, its location... and other relevant information: Attached Table 6.

(3) Mainland China Investment Information:

1. The name of the Chinese investee company, main business items, paid-in capital, investment methods, capital remittances and exits, shareholding ratio, investment gains and losses, book value of investment at the end of the period, repatriated investment income and investment limits in China: Attached table seven.
2. Significant transactions that occur directly or indirectly with mainland investee companies via third regions, including their prices, payment terms, unrealized gains and losses, and other relevant information that helps to understand the impact of mainland investment on financial statements: Attached Table 1 ~ Schedule VI.

(4) Information on major shareholders: Attached Table 8.

#### 14. Department Information

(1) General information

The management of the merged company operates its business and makes decisions from the perspective of the merged company system and geographical distinctions, mainly divided into the ACTION ASIA LTD. system (abbreviated as AAL system), ALMOND GARDEN CORP. system (abbreviated as AGC system) and the Taiwan region operating department. Reporting department.

(2) Measurement of departmental information

The chief operating decision maker of the consolidated company evaluates the performance of each operating department based on the after-tax net profit. The departmental net profit after tax reported by the consolidated company to the chief operating decision maker is measured in the same way as the income and expenses in the income statement. There is no material inconsistency between the accounting policies of

the operating department of the consolidated company and the summary of important accounting policies described in Note 4.

The departments that the consolidated company should report are as follows:

AAL department: Mainly produces automotive electronics and related accessories in Malaysia and Shenzhen, China, researches, produces and sells electronic products and accessories in Shenzhen, China, and operates warehousing and logistics services in Shanghai.

AGC Department: Mainly engaged in the production of imported raw materials.

Taiwan region: mainly engaged in the sales and maintenance of various electrical appliances and home appliances under the Kolin brand.

(3) Adjustment information of departmental profit and loss

The following reportable departmental information provided to key decision makers does not include the amount of any suspended business unit. Please refer to Note 6 (7) for the description of the suspended business unit.

Unit: Thousands of NTD

	For the year ended December 31,2020				
	AAL	AGC	Taiwan	Adjustments	Total
<u>Segment Revenue</u>					
Revenue from non-related party	\$ 545,773	\$ —	\$ 735,104	\$ —	\$1,280,877
Revenue from related party	—	27,670	1,081	(28,751)	—
Segment revenue	<u>\$ 545,773</u>	<u>\$ 27,670</u>	<u>\$ 736,185</u>	<u>\$ (28,751)</u>	<u>\$1,280,877</u>
<u>Segment P&amp;L</u>					
	\$ 63,827	\$ (1,630)	\$ (25,410)	\$ —	\$ 36,787
Segment P&L including :					
Depreciation and amortization	(40,178)	—	(26,836)	—	(67,014)
Investment gain or loss under equity method	(4,945)	25,711	69,533	(95,244)	(4,945)
Income tax expense	(36,135)	—	(1,059)	—	(37,194)

	For the year ended December 31,2019				
	AAL	AGC	Taiwan	Adjustments	Total
<u>Segment Revenue</u>					
Revenue from non-related party	\$ 533,909	\$ —	\$ 806,685	\$ —	\$1,340,594
Revenue from related party	—	26,406	—	(26,406)	—
Segment revenue	\$ 533,909	\$ 26,406	\$ 806,685	\$ (26,406)	\$1,340,594
<u>Segment P&amp;L</u>					
Segment P&L including :	\$ 83,102	\$ 3,125	\$ (39,559)	\$ —	\$ 46,668
Depreciation and amortization	(40,342)	—	(23,234)	267	(63,309)
Investment gain or loss under equity method	1,170	34,336	97,159	(131,495)	1,170
Income tax expense	(15,779)	—	(136)	—	(15,915)

#### (4) Product-specific information

The main product and labor income composition of the combined company is as follows:

Product Categories	For the year ended December 31,2020		For the year ended December 31,2019	
	Amount	%	Amount	%
Revenue from AI electronics manufacturing system	\$ 413,522	32	\$ 393,299	29
Revenue from sales of goods sold of own brand and logistic service	728,110	57	806,685	60
Revenue from rental of warehouse and plant	139,245	11	140,610	11
Total	\$ 1,280,877	100	\$ 1,340,594	100

#### (5) Local difference information

The difference information of the consolidated company in year ended December 31<sup>st</sup>, 2020 & 2019

Non-current assets do not include assets classified as financial instruments and deferred income tax assets.

	For the year ended December 31,2020		For the year ended December 31,2019	
	Net Revenue	Non-current Asset	Net Revenue	Non-current asset
Taiwan	\$ 735,104	\$ 546,712	\$ 806,685	\$ 519,206
Mainland China	133,687	973,523	114,170	989,551
USA	347,995	—	355,012	—
Others	64,091	75,654	64,727	84,139
Total	<u>\$ 1,280,877</u>	<u>\$ 1,595,889</u>	<u>\$ 1,340,594</u>	<u>\$ 1,592,896</u>

(6) Important customer information

The customer details of the consolidated company's sales amounted to more than 10% of the total operating income in year ended December 31<sup>st</sup>, 2020 and 2019 are as follows:

Customer name	For the year ended December 31,2020		For the year ended December 31,2019	
	Sales Amount	Segment	Sales Amount	Segment
Customer A	\$ 114,785	AAL	\$ 192,503	AAL
Customer B	224,651	"	136,559	"
Customer	137,636	"	64,758	"
	<u>\$ 477,072</u>		<u>\$ 393,820</u>	

Table 1

Financing provided to others for the year ended December 31,2020

Unit: Thousand NTD

No. (Note 1)	Lender	Counter Party	Financial statement account	Relate d Party	Maximum balance for the period	Ending balance	Actual amount provided	Intere st rate	Nature of financin g (Note2)	Amount of sales to counter-par ty	Reason for financing	loss allowanc e	Collateral		Limit of financing amount for individual counter-par ty	Limit of total financing amount	Note
													Item	Value			
1	ACTION INDUSTRIE S (M) SDN. BHD.	Action Electronics Co.,Ltd	Other receivables	Yes	\$ 30,020	\$ 28,480	\$ 28,480	1.70	2	\$ —	Working capital	\$ —	—	—	\$ 262,402	\$ 262,402	Note 3、 Note 4

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

(1) Fill in 0 for the issuer. (2) The investee company is numbered sequentially from Arabic numeral 1 according to the company type.

Note 2: The description of the nature of the fund loan is as follows:

(1) For those with business contacts, fill in 1. (2) Fill in 2 if there is a need for short-term financing.

Note 3: According to the operation method of fund loans to others, the total amount of fund loans shall not exceed 40% of the net value of the lending company's latest financial statements; the limit for a single company's capital loan is not to exceed 40% of the net value of the

company's latest financial statement; however, the capital loan to a foreign company that directly or indirectly holds 100% of the voting shares of the company or a foreign company that directly or indirectly holds 100% of the voting shares of the company is not subject to the aforementioned limit, but the total amount of loans and the amount of loans to individual companies shall not exceed twice the net value of the company that lent funds.

Note 4: ACTION INDUSTRIES (M) SDN. BHD. As of December 31<sup>st</sup>, 2020, the actual expenditure is NTD \$28,480 (a total of 1,000 thousand US dollars, based on the exchange rate NTD: USD=28.48:1).

Table 2

Endorsements/Guarantees provided to others for the year ended Dec.31,2020

Unit: Thousand NTD

No	Endorser/ Guarantor	Party being endorsed/guaranteed		Limit on endorsement amount provided to each guaranteed party	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement /guarantee collateralize d by properties	Percentage of accumulated guarantee amount to net assets value per latest financial statements	Limit of total guarantee amount  (Note 1)	Guarantee provided by parent company	Guarantee provided by subsidiary	Guarantee provided to subsidiaries in mainland China	Note
		Company name	Relationship with the Company											
0	ACTION ELECTRONICS CO., LTD.	ACTION ASIA DEVELOPMENT IND CO., LTD.	Subsidiary	\$2,618,710	\$1,000,000	\$1,000,000	\$ —	\$1,000,000	38.19	\$3,928,065	Y	—	—	
1	ACTION ASIA LTD.	ACTION INDUSTRIES (M) SDN. BHD.	Subsidiary	1,787,614	82,532	78,251	56,960	—	4.38	2,681,421	Y	—	—	

No	Endorser/ Guarantor	Party being endorsed/guaranteed		Limit on endorsement amount provided to each guaranteed party	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement /guarantee collateralized by properties	Percentage of accumulated guarantee amount to net assets value per latest financial statements	Limit of total guarantee amount  (Note 1)	Guarantee provided by parent company	Guarantee provided by subsidiary	Guarantee provided to subsidiaries in mainland China	Note
		Company name	Relationship with the Company											
2	ACTION ELECTRONICS CO., LTD.	ACTION ASIA DEVELOPMENT IND CO., LTD.	Associate	718,308	315,288	315,144	315,144	315,144	43.87	1,077,462	—	—	Y	

Note 1: According to the operating method of endorsement and guarantee, the amount of external endorsement must not exceed 1.5 times the company's current net worth; the amount of endorsements to a single company must not exceed the company's current net worth. The current net worth is subject to the latest accountant report.

Table 3

Security held as of Dec.31,2020

Unit: Thousand NTD

Held company name	Type of Security and name of security	Nature of Relationship	Financial statement account	Ending Balance				Note
				Shares/Units	Carrying amount (Note2)	Percentage of ownership	Fair Value	
Action Electronics Co.,Ltd	Clientron Corp. Common stock	—	Financial assets at fair value through other comprehensive income-current	5,100,000	\$ 87,312	8.02%	\$ 87,312	
	TOA Optronics Corporation. Common stock	—	Financial assets at fair value through profit and loss-noncurrent	1,282,500	—	6.55%	—	
ALMOND GARDEN CORP.	BLOOMING ENTERPRISE CO.,LTD. Common stock	—	Financial assets at fair value through profit and loss-noncurrent	454,892	—	14.55%	—	
REALISE TECH-SERVICE CO., LTD.	First bank RMB high yield bond fund	—	Financial assets at fair value through profit and loss-current	300,000	2,893	—	2,893	

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of International Financial Reporting Standard No. 9 "Financial Instruments".

Note 2: If measured by fair value, please fill in the book balance after fair value evaluation adjustment and deducting allowance for the book value in column B; if it is not measured by fair value, please fill in the book balance of the amortized cost (after deduction of allowance loss) in column B of the book amount.

Table 4

The amount of purchases and sales with related parties reaches NTD 100 million or more than 20% of the paid-in capital

Unit: Thousand NTD

Company name	Related Party	Nature of Relationship	Transactions				Reasons for abnormal transaction		Notes/accounts receivables(Payables)		Note
			Purchases(Sales)	Amount	Percentage of purchases(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	Percentage of total receivables (Payables)	
ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	ACTION INDUSTRIES (M) SDN. BHD	Parent company	Sales	\$ 117,899	34%	30% prepaid , 70% L/C	NIL	NIL	\$ 40,982	70%	

Table 5

Intercompany relationships and significant intercompany transactions for the year ended December 31 2020

Unit: Thousand NTD

No (Note1)	Company name	Counter Party	Nature of relationships (Note 2)	Intercompany Transactions				Note
				Financial statement item	Amount	Payment Terms	Percentage of consolidated net revenue or total assets(Note 4)	
0	ACTION ELECTRONICS CO., LTD.	REALISE TECH-SERVICE CO., LTD	1	Net revenue from sale of goods	\$ 15,966	60 days from receiving goods	1%	
		ACTION ASIA DEVELOPMENT IND CO., LTD.	1	Other receivables from related parties	68,335	Note 3	2%	
1	REALISE TECH-SERVICE CO., LTD.	ACTION ELECTRONICS CO., LTD.	2	Net revenue from service	15,368	60 days from account reconciliation is completed	1%	
				Net revenue from sale of goods	15,687	60 days from receiving goods	1%	
2	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	ASD ELECTRONICS LIMITED	3	Receivables from related parties	18,969	75 days from receiving goods	1%	
		ACTION INDUSTRIES(M) SDN. BHD.	3	Net revenue from sale of goods	117,899	30% prepaid and 70% L/C	9%	
				Receivables from related parties	40,982	30% prepaid and 70% L/C	1%	
ATZ ELECTRONICS CO., LTD.	1	Net revenue from sale of goods	8,664	120 days from receiving goods	1%			

No (Note1)	Company name	Counter Party	Nature of relationships (Note 2)	Intercompany Transactions				Note
				Financial statement item	Amount	Payment Terms	Percentage of consolidated net revenue or total assets(Note 4)	
3	ALMOND GARDEN CORP.	ACTION TECHNOLOGY (JIAN) CO., LTD.	1	Receivables from related parties	30,245	75 days from receiving goods	1%	
4	ASD ELECTRONICS LIMITED	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	3	Net revenue from sale of goods	18,421	90 days from receiving goods	1%	
				Receivables from related parties	19,317	90 days from receiving goods	1%	
5	ACTION INTELLIGENT (SHENZHEN) CO., LTD.	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	2	Net revenue from technical service	20,981	45 days from account reconciliation is completed	2%	
6	ACTION INDUSTRIES(M)	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	3	Net revenue from sale of goods	14,607	60 days from receiving goods	1%	
	SDN. BHD.	ACTION ELECTRONICS CO., LTD.	2	Other receivables from related parties	28,480	Note 3	1%	

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated in the serial number column respectively. The method of filling in the serial number is as follows:

1. Fill in 0 for the parent company. 2. Subsidiaries are numbered sequentially starting from Arabic numeral 1 according to the company.

Note 2: The relationship with the trader has the following three types, and the type can be marked (if it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction between the parent company and the subsidiary company, the subsidiary part does not need to be

disclosed again; if the subsidiary company has disclosed the transaction between one of its subsidiaries, the other subsidiary company need not be disclosed repeatedly.):

1. Parent company to subsidiary. 2. Subsidiary to parent company. 3. Subsidiary to subsidiary.

Note 3: The transaction is mainly in the nature of capital loans and advances on behalf of others, so it is not applicable.

Note 4: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets. If it is an asset-liability account, it is calculated as the ending balance of the consolidated total assets; if it is a profit and loss account, it is calculated based on the cumulative amount of the period in the combined total revenue.

Note 5: Individual transaction amounts that do not reach 1% of the combined total revenue or combined total assets will not be disclosed; in addition, the asset side and income side are the methods of disclosure.

Note 6: When preparing this consolidated financial statement, it has been written off.

Table 5 (1)

Intercompany relationships and significant intercompany transactions for the year ended December 31,2019

Unit: Thousand NTD

No (Note1)	Company name	Counter Party	Nature of relationship(Note 2)	Intercompany Transactions				Note
				Financial statement item	Amount	Payment Terms	Percentage of consolidated net revenue or total assets(Note 4)	
0	Action Electronics Co.,Ltd	Realise Tech-service Co.,Ltd	1	Net revenue from sale of goods	\$ 14,910	60 days from receiving goods	1%	
		ACTION ASIA LTD.	1	Other receivables from related parties	70,205	Note 3	2%	
		ALMOND GARDEN CORP.	1	Other receivables from related parties	28,483	Note 3	1%	
1	Realise Tech-service Co.,Ltd	Action Electronics Co.,Ltd	2	Net revenue from service	13,940	60 days from account reconciliation is completed	1%	
				Net revenue from sale of goods	11,032	60 dys from receiving goods	1%	
2	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	ASD ELECTRONICS LIMITED	3	Receivables from related parties	19,968	75 days from receiving goods	1%	
		ACTION INDUSTRIES(M) SDN. BHD.	3	Net revenue from sale of goods	204,147	30% prepaid and 70% L/C	15%	
				Receivables from related parties	34,105	30% prepaid and 70% L/C	1%	
3	ALMOND GARDEN CORP.	ACTION TECHNOLOGY (JIAN) CO., LTD.	1	Receivables from related parties	32,026	75 days from receiving goods	1%	

No (Note1)	Company name	Counter Party	Nature of relationship(Note 2)	Intercompany Transactions				Note
				Financial statement item	Amount	Payment Terms	Percentage of consolidated net revenue or total assets(Note 4)	
4	ASD ELECTRONICS LIMITED	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	3	Revenue from sale of goods	26,406	90 days from receiving goods	2%	
5	ACTION INTELLIGENT (SHENZHEN) CO., LTD.	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	2	Net revenue from technical service	27,228	45 days from account reconciliation is completed	2%	
6	ACTION ASIA LTD.	ACTION ASIA (SHENZHEN) CO., LTD and its subsidiaries	1	Other receivables from related parties	86,100	Note 3	2%	

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated in the serial number column respectively. The method of filling in the serial number is as follows:

1. Fill in 0 for the parent company. 2. Subsidiaries are numbered sequentially starting from Arabic numeral 1 according to the company.

Note 2: The relationship with the trader has the following three types, and the type can be marked (If it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction between the parent company and the subsidiary company, the subsidiary part does not need to be disclosed again; if the subsidiary company has disclosed the transaction between one of its subsidiaries, the other subsidiary company need not be disclosed repeatedly.):

1. Parent company to subsidiary. 2. Subsidiary to parent company. 3. Subsidiary to subsidiary.

Note 3: The transaction is of the nature of other receivables-capital reduction, so it is not applicable.

Note 4: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets. If it is an asset-liability account, it is calculated as the ending balance of the consolidated total assets; if it is a profit and loss account, it is calculated based on the cumulative amount of the period in the combined total revenue.

Note 5: Individual transaction amounts that do not reach 1% of the consolidated total revenue or consolidated total assets will not be disclosed; in addition, the asset side and income side are the methods of disclosure.

Note 6: When preparing this consolidated financial statement, it has been written off.

Table 6

The name of the investee company, its location... and other relevant information (not including the investee company in China)

Unit: Thousands of NTD ; Foreign Currency is one

Investor company	Investee company	Location	Main business	Initial Investment		Investment as of December 31,2020			Net income(loss) of investee company	Investment income(loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Action Electronics Co.,Ltd	ACTION ASIA LTD.	Singapore	Holding Company and investment	\$ 241,231	\$ 241,231	149,511,976	61.54	\$1,100,037	\$ 66,847	\$ 38,741	
	ALMOND GARDEN CORP.	BVI	Holding Company and investment	—	—	14,500,000	100.00	827,753	30,792	30,792	
	Best Denki Ltd.	Taiwan	Engaged in the sales and maintenance of various electrical appliances and home appliances	109,697	109,697	10,970,926	99.74	—	—	—	In liquidation
	Realise Tech-Service Co.,Ltd	Taiwan	After service of electronic information products	60,000	60,000	6,000,000	100.00	22,209	2,992	2,992	
	Action Asia Development Ind Co.,Ltd	Taiwan	Leasing of housing and industrial plant. Leasing and sales of real estate	200,000	100,000	20,000,000	100.00	193,345	(5,278)	(5,278)	

Investor company	Investee company	Location	Main business	Initial Investment		Investment as of December 31,2020			Net income(loss) of investee company	Investment income(loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
ALMOND GARDEN CORP.	ASD ELECTRONICS LIMITED	Hong kong	R&D and sales of electronic products	46,200	46,200	4,175,000	100.00	12,371	(356)		
	ACTION ASIA LTD.	Singapore	Holding Company and investment	482,845	482,845	93,452,231	38.46	687,558	66,847		
ACTION ASIA LTD.	ACTION INDUSTRIES (M) SDN. BHD.	Malaysia	Manufacturing and sales of automotive LCD TV	54,911	54,911	13,200,000	100.00	117,131	7,619		
ACTION INDUSTRIES(M) SDN. BHD.	ACTION-TEK SDN. BHD.	Malaysia	R&D of consumer electronic products	—	—	2	100.00	(677)	(44)		

Table 7

China Investment Information

Unit: Thousand NTD

Investee company	Main Business or products	Paid in capital	Method of Investment	Accumulated outflow of investment from Taiwan as of Jan 1,2020	Investment flow		Accumulated outflow of investment from Taiwan as of Dec 31,2020	Net income(loss) of investee company	Percentage of ownership	Investment income(loss) recognized (Note 1)	Carrying Amount as of Dec.31,2020	Accumulated inward remittance of earnings as of Dec.31,2020	Note
					Out flow	Inflow							
ACTION COMMERCIAL AND TRADING (SHANGHAI) CO., LTD.	LCD TV Products	\$ 529,218	Invested in Mainland China through 100% owned Almond Garden Corp.	\$ 529,218	—	—	\$ 529,218	\$ 38	100.00	\$ 38	\$ 32,259	\$ —	Note 1 Note 2
ACTION TECHNOLOGY (JIAN) CO., LTD.	R&D,manufacturing, sales of electronic products and plant and equipment leasing	356,915	Invested in Mainland China through 100% owned Almond Garden Corp.	356,915	—	—	356,915	6,711	100.00	6,711	62,458	—	Note 1 Note 2
BLOOMING ENTERPRISE CO.,LTD.	Manufacturing and sales of electronic products and accessories	100,377	Through 100% owned Almond Garden to acquire 14.55% equity of Blomming Enterprise to reinvest in Mainland China	24,375	—	—	24,375	—	14.55	—	—	—	Note 2

Investee company	Main Business or products	Paid in capital	Method of Investment	Accumulated outflow of investment from Taiwan as of Jan 1,2020	Investment flow		Accumulated outflow of investment from Taiwan as of Dec 31,2020	Net income(loss) of investee company	Percentage of ownership	Investment income(loss) recognized (Note 1)	Carrying Amount as of Dec.31,2020	Accumulated inward remittance of earnings as of Dec.31,2020	Note
					Out flow	Inflow							
SHANGHAI ACTION TECHNOLOGY CO., LTD.	R&D,manufacturing,sales of electronic products and accessories . Warehousing service	594,004	Invested in Mainland China through 100% owned Action Asia Ltd.	339,959	—	—	339,959	64,132	100.00	64,132	945,800	—	Note 1 Note 2
ACTION ASIA (SHENZHEN) CO., LTD.	R&D,manufacturing,sales of electronic product and accessories	112,750	Invested in Mainland China through 100% owned Action Asia Ltd	—	—	—	—	10,766	100.00	10,766	717,278	—	Note 1 Note 2 Note 3

Table 7 (1)

Investee company	Main Business or products	Paid in capital	Method of Investment	Accumulated outflow of investment from Taiwan as of Jan 1,2020	Investment flow		Accumulated outflow of investment from Taiwan as of Dec 31,2020	Net income(loss) of investee company	Percentage of ownership	Investment income(loss) recognized( Note 1)	Carrying Amount as of Dec.31,2020	Accumulated inward remittance of earnings as of Dec.31,2020	Note
					Outflow	Inflow							
DEDE TECHNOLOGY (SHENZHEN) CO., LTD.	Plant leasing service	\$ 512,344	Through 100% owned Action Asia Ltd. to acquire 100% equity of AAS to reinvest in Mainland China	\$ —	—	—	\$ —	\$ 16,502	40.00	\$ (4,945)	\$ 540,091	\$ —	Note 1 Note 2
ATZ ELECTRONICS CO., LTD.	R&D, manufacturing, sales of automotive products	24,470	Through 100% owned Action Asia Ltd. to acquire 100% equity of AAS to reinvest in Mainland China	—	—	—	—	(5,303)	51.00	(10,419)	(4,670)	—	Note 1 Note 2
ACTION INTELLIGENT (SHENZHEN) CO., LTD.	R&D and sales of AI electronic products	4,681	Through 100% owned Action Asia Ltd. to acquire 100% equity of AAS to reinvest in Mainland China	—	—	—	—	(5,535)	100.00	(5,535)	17	—	Note 1 Note 2

Note 1: Obtained based on the financial statements of the investee company checked by the Taiwanese parent company's certified accountant during the same period.

Note 2: The relevant figures in this table are all presented in New Taiwan dollars. For foreign currencies, the profit and loss accounts are converted into NTD at the weighted average exchange rate, and the balance sheet accounts are converted into NTD at the exchange rate

on the balance sheet date.

Note 3: In addition to the investment quota approved by the investment review committee, the investment review committee approved the "Asian Electronics (Shenzhen) Co., Ltd." for a total of NTD 202,102 thousand, which is not included in this Calculation of the company's investment quota in China.

Note 4: According to the investment quota of the Investment Review Committee of the Ministry of Economic Affairs, the enterprise that meets the paid-in capital of more than NTD 80 million: 60% of the net value.

Note 5: Shenzhen Action Industries

Electronics Co., Ltd. has been cancelled in 2006, and its accumulated investment from Taiwan is NTD 58,227 thousand (USD 2,100 thousand), and the investment has been repatriated as of December 31<sup>st</sup>, 2020 The income was NTD 21,327 (USD 668 thousand), and the repatriated investment shares amounted to NTD 67,044,000 (USD 2,100 thousand).

Note 6: The equity of Huayi Technology (Shenzhen) Co., Ltd. has been transferred in 2017, and its cumulative investment from Taiwan is NTD670,087 thousand.

Accumulated outflow of investment from Taiwan to Mainland China as of Dec 31,2020	Investment amounts authorized by Investment Commission, MOEA (Note 3)	Upper limit on investment in Mainland China (Note 4)
\$ 1,890,410	\$ 2,420,386	\$ 1,571,226

Table 8

Action Electronics Co.,Ltd  
Main shareholder information  
December 31<sup>st</sup>, 2020

Share	Share of ownership	Percentage of ownership
Major shareholders		
PENG CHUIN-PING	20,589,303	7.42%
TA PO INVESTMENT LTD.	16,716,170	6.03%

Note 1: The information of major shareholders in this table is based on the last business day of the end of each quarter by China National Security Company, and calculates that shareholders hold 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The above information. As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

Note 2: If the information on the Shanghai Development Bank is that shareholders deliver shares to the trust, they are disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Public Information Observatory.