

Bright LED Electronics Corp.
Parent company only financial report
and accountant's audit report
Year of 2020 and 2019

Company address : 3F, No.19, Heping Rd., Banqiao Dist., New Taipei City, Taiwan 22061

Tel : (02)2959-1090

Official website : <http://www.brtled.com>

Notice to readers:

In case of any discrepancy between the English version and the Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

Table of content

<u>Items</u>	<u>Page</u>
1 、Cover	1
2 、Table of content	2
3 、Independent auditors' report	3
4 、Balance sheet	8
5 、Income statement	9
6 、Statement of change in equity	10
7 、Cash flow statement	11
8 、Notes from Parent company only financial statements	
(1) Company history	13
(2) The date and procedure for the approval of the financial statements	13
(3) Application of newly issued and revised standards and explanations	14
(4) Summary of material accounting policies	15
(5) Major sources of uncertainty in significant accounting judgments, estimates and assumptions	27
(6) Explanation of important accounting items	27
(7) Transactions with related parties	48
(8) Pledged assets	50
(9) Significant contingent liabilities and unrecognized contractual commitments	50
(10) Loss from major disaster	50
(11) Significant post-period matters	50
(12) Other	50
(13) Disclosure of Matters in Notes	
1. Information with regard to major transactions	51
2. Re-investment business related information	53
3. Information with regard to investment in China	54
4. Major Shareholder Information	55
(14) Department information	55

INDEPENDENT AUDITORS' REPORT

(Parent Company Only Financial Statements)

The Board of Directors and Shareholders
Bright LED Electronics Corp.

Opinion

We have audited the accompanying parent company only financial statements of Bright LED Electronics Corp. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition

For details of accounting policies and related disclosures of revenue recognition, please refer to Notes 4 (13) and 6 (16) of the Company's parent company only financial statements.

The description of key audit matter:

The sources of the major operating revenue of the Company are research and development, productions, and sales of light-emitting diodes indicators and display...etc and contracts of LED display, LED lighting and related operating applications/systems' constructions. Where the Company's revenues generated from is the concerned factor for this report users or recipients; hence, revenue recognition is considered as one of the key audit matters.

Corresponding audit procedure included the following:

1. Evaluated appropriateness of accounting policies according to the understanding of the Company's operation and the characteristics of the industry both acquired by the new IFRS.
2. Tested the design of internal control system and effectiveness of execution.
3. Analyzed and evaluated if there is any major irregularity by inspecting revenues generated from main customers and new customers.
4. Evaluated accuracy during the period of revenue recognition by inspecting new major contract added in this period and testing sales samples in accordance with its contract terms during a period of time, which is before and after the year end.

Account Receivables Valuation

For details of accounting policies of account receivables valuation, please refer to Notes 4 (6) financial instruments of the Company's parent company only financial statements; for details of accounting estimates and accounting assumption of uncertainty of account receivables valuation, please refer to Notes 5 (1) of the Company's parent company only financial statements; for details of explanation on account receivables valuation, please refer to 6 (3) of the Company's parent company only financial statements.

The description of key audit matter:

Account receivables of Bright LED Electronics Corp. are distributed among customers. The account receivables valuation allowance is calculated according to the expected percentage of credit losses which takes each time interval of overdues of account receivables and adjustments on prospective factors into consideration when estimating expected credit losses of account receivables. The management will, according to the report date, re-update new expected losses within each time interval of overdues and perform individual assessments on major overdues and payment disputes; hence, it involves subjective judgment from the managers and it is considered as one of the key audit matters.

Corresponding audit procedure included the following:

1. Evaluated reasonableness of the percentage of expected credit losses
2. Determined whether there is a major irregularity by comparing the turnover rate and turnover days of accounts receivables with the company's credit policy and other related information.
3. Obtained the aging schedule.
4. Verified total amount from the aging schedule with general ledger.
5. Confirmed integrity and accuracy of the aging schedule.

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

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

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

Those charged with governance (including the Supervisors) are responsible for overseeing the Company's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ms. Hsin-I Kuo and Ms. Tzu-Hui Li.

KPMG TAIWAN
Republic of China

March 18, 2021

Notice to Readers

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

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Bright LED Electronics Corp.
Parent Company Only Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

		Dec 31, 2020		Dec 31, 2019				Dec 31, 2020		Dec 31, 2019		
		Amount	%	Amount	%			Amount	%	Amount	%	
ASSETS												
CURRENT ASSETS :												
1100	Cash and cash equivalents (Note 6 (1))	\$	468,690	11	460,339	10						
1140	Contract assets— current(Note 6 (16))		100,209	2	172,295	4	2170	Accounts and notes payable	\$	22,763	1	
							2180	Accounts payable— due to related parties (Note 7)		1,619,192	36	
1170	Accounts and notes receivable, net (Note 6(3))		283,159	6	293,539	6	2200	Other current liabilities (Note 6(10))		55,248	1	
1180	Accounts receivable— due from related parties, net (Note 6(3)&7)		40,033	1	50,033	1	2230	Current tax liabilities		28,302	1	
1210	Other receivables— from related parties (Note 7)		78,500	2	50,000	1	2280	Lease liabilities- current (Note 6(11))		2,211	-	
1310	Inventories (Note 6(4))		14,980	-	12,801	-	2322	Long-term borrowings, current portion (Note 6(9))		-	-	
1470	Other current assets		256	-	850	-		Total current liabilities		1,727,716	39	
								NONCURRENT LIABILITIES :				
1476	Other financial assets— current (Note 6(8)&8)		94,238	2	92,239	3	2570	Deferred tax liabilities (Note 6(13))		21,558	-	
	Total current assets		1,080,065	24	1,132,096	25						
NONCURRENT ASSETS :												
1517	Financial assets at fair value through profit or loss— noncurrent (Note 6(3))		710,995	16	645,807	15	2580	Lease liabilities- noncurrent (Note 6(11))		1,777	-	
1550	Investments accounted for using equity method (Note 6(6))		2,602,266	58	2,660,403	59	2640	Defined benefit liabilities— noncurrent (Note 6(12))		25,355	1	
1600	Property, plant and equipment (Note 6(7))		58,726	1	50,917	1	2645	Other noncurrent liabilities		3,019	-	
1755	Right of use assets (Note 6(8))		3,853	-	6,770	-		Total noncurrent liabilities		51,709	1	
1840	Deferred tax assets (Note 6(15))		20,969	1	16,938	-		Total liabilities		1,779,425	40	
1920	Guarantee deposits paid		1,760	-	1,854	-		EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 6(15)) :				
1900	Other noncurrent assets		47	-	8,897	-	3100	Capital stock		1,816,742	41	
	Total noncurrent assets		3,398,616	76	3,391,586	75	3200	Capital surplus		421,959	9	
							3300	Retained earnings		558,413	12	
							3400	Other equity interests		51,649	1	
							3500	Treasury stock		(149,507)	(3)	
								Total equity		2,699,256	60	
TOTAL												
		\$	4,478,681	100	4,523,682	100		TOTAL		\$	4,478,681	100
											4,523,682	100

Bright LED Electronics Corp.

Parent Company Only Statements of Comprehensive Income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenues (Note 6(16)&7)	\$ 885,128	100	\$ 1,126,907	100
5000 Operating costs (Note 6(4)&7)	660,158	75	978,310	87
5900 Gross profit from operations	224,970	25	148,597	13
6000 Operating expenses (Note 6(3)(6)(7)(12)&12):				
6100 Marketing	33,406	4	33,681	3
6200 Management	70,314	8	77,275	7
6300 Research & development	9,571	1	7,081	-
6450 Expected credit impairment loss (or gain)	281	-	(1,037)	-
Total operating expenses	113,572	13	117,000	10
6900 Operating income	111,398	12	31,597	3
7000 Non-operating income & expenses (Note 6(5)(18)) :				
7100 Interest income	3,738	-	3,610	-
7010 Other revenues	25,197	3	26,692	3
7020 Other gains & losses	59,109	7	25,426	2
7050 Finance costs	(124)	-	(373)	-
7070 Share of profit (loss) of associates using equity method	(23,913)	(3)	164,760	15
Total non-operating income & expenses	64,007	7	220,115	20
7900 Profit before tax	175,405	19	251,712	23
7950 Deduct : income tax expenses (Note 6(14))	47,280	5	17,226	2
Net income	128,125	14	234,486	21
8300 Other comprehensive income (Note 6(14)(15)) :				
8310 Items that will not be reclassified subsequently to profit or loss:				
8311 Re-measurement of defined benefit plans	(2,805)	-	710	-
8316 Unrealized gain or loss on financial instrument at fair value through other comprehensive income using equity method	68,818	8	173,177	15
8349 Income tax related to items that will not be reclassified subsequently	(561)	-	142	-
Total of Items that will not be reclassified subsequently to profit or loss	66,574	8	173,745	15
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences arising on translation of foreign operations	(15,813)	(2)	(89,357)	(8)
8399 Income tax expense related to items that may be reclassified subsequently	-	-	-	-
Total of Items that may be reclassified subsequently to profit or loss	(15,813)	(2)	(89,357)	(8)
8300 Other comprehensive loss for the year, net of income tax	50,761	6	84,388	7
Total comprehensive income for the year	\$ 178,886	20	318,874	28
Earnings per share (Note 6(16))				
9750 Basic earnings per share (NT\$)	\$ 0.74		1.28	
9850 Diluted earnings per share (NT\$)	\$ 0.74		1.27	

Bright LED Electronics Corp.
Parent Company Only Statements of Changes in Equity
From January 1 to December 31, 2019 and 2020.
(In Thousands of New Taiwan Dollars, Except Dividends Per Share).

							Others			Treasury stock	Total equity
	Capital stock	Capital surplus	Legal reserve	Special reserve	Retained earnings	Unappropriated earnings	Exchange differences on translations	Unrealized gain/loss on assets at fair value through other comprehensive income	Unrealized gain/loss on available-for-sale financial assets		
Balance, January 1, 2019	1,866,742	441,608	247,758	79,582	113,302	440,642	(89,632)	5,250		(84,382)	2,664,610
Adjustment adopting new accounting bulletin					(5,547)	(5,547)					(5,547)
Adjusted Balance, January 1, 2019	1,866,742	441,608	247,758	79,582	107,755	435,095	(89,632)	5,250		(84,382)	2,659,063
Net income					234,486	234,486					234,486
Other comprehensive income					568	568	(89,357)	173,177		83,820	84,388
Total comprehensive income					235,054	235,054	(89,357)	173,177		83,820	318,874
Legal reserve			11,330		(11,330)						
Special reserve				4,799	(4,799)						
Cash dividend					(97,071)	(97,071)					(97,071)
Treasury stock buyback										(149,507)	
Overdue dividend		75									75
Unrealized gains (loss) from equity investment instruments measured at fair value through other comprehensive income					851	851		(851)		(851)	
Balance, December 31, 2019	1,866,742	441,683	259,088	84,381	230,460	573,929	(178,989)	177,576		(1,413)	2,731,434
Net income					128,125	128,125					128,125
Other comprehensive income					(2,244)	(2,244)	(15,813)	68,818		53,005	50,761
Total comprehensive income					125,881	125,881	(15,813)	68,818		53,005	178,886
Legal reserve			23,305		(23,305)						
Reversal on Special reserve				(82,968)	82,968						
Cash dividend					(141,340)	(141,340)					(141,340)
Changes in the net value of the equity of affiliated companies recognized using the equity method		343									343
Changes in affiliated companies recognized using the equity method		836									836
Treasury stock buyback										(70,903)	(70,903)
Treasury stock retirement	(50,000)	(20,930)								70,930	
Unrealized gains (loss) from equity investment instruments measured at fair value through other comprehensive income					(57)	(57)		57		57	
Balance, December 31, 2020	\$1,816,742	421,959	282,123	1,413	274,877	558,413	(194,802)	246,451		51,649	2,699,256

Bright LED Electronics Corp.
Parent Company Only Statements of Cash flows
From January 1 to December 31, 2019 and 2020.
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES :		
Income before tax	\$ 175,405	\$ 251,712
Adjustments :		
Depreciation expenses	5,318	4,203
Amortization expenses	259	287
Benefits from expected credit losses/ income reclassified from bad debt expenses	281	(1,037)
Nets on financial assets at fair value through profit or loss	-	(388)
Interest expenses	124	373
Interest income	(3,738)	(3,610)
Dividend income		
Share of profit/loss of associates accounted for using equity method	23,930	(164,760)
Lease contract-modification loss	13	
Total of adjustments	22,336	(184,524)
Changes in operating assets and liabilities:		
Decrease in contract assets	72,086	(2,717)
Decrease (increase) in accounts and notes receivable	20,099	24,380
Decrease (increase) in other receivables	2,051	19,332
Decrease (increase) in inventories	(2,179)	2,755
Decrease in other current assets	594	(70)
Total of changes in operating assets	92,651	43,680
Increase in accounts and notes payable (including related parties)	(47,008)	196,243
Decrease in other accounts payable and other current liabilities	2,449	13,492
Decrease in net defined benefit liabilities	(1,575)	239
Total of changes in operating liabilities	(46,134)	209,974
Total of Changes in operating assets and liabilities, net	46,517	253,654
Total	68,853	69,130
Cash generated from operations	244,258	320,842
Interest received	3,738	3,610
Interest paid	(124)	(373)
Income tax paid	(3,971)	(20,514)
Net cash generated by operating activities	243,901	303,565
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisition of financial assets at fair value through other comprehensive income	(470)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,100	10,599
Acquisition of financial assets at fair value through profit or loss	-	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	80,724
Acquisition of property, plant and equipment	(1,184)	(127)
Disposal of property, plant and equipment	143	-
Increase in other receivables- related parties	13,101	-
Decrease in other current financial assets	(45,651)	(36,746)
Decrease in other noncurrent assets	(951)	(9,028)
Dividends received	8,774	22,649
Net cash used in investing activities	(21,533)	68,071
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term borrowings	(8,176)	(14,015)
Principal repayment of lease liabilities	(2,423)	(2,638)
Increase in other noncurrent liabilities	(5,077)	(3,586)
Cash dividends paid	(141,340)	(97,071)
Costs of treasury stock buyback	(70,903)	(149,507)
Net cash used in financing activities	(227,919)	(266,817)
Exchange rate	13,902	399
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,351	105,218
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	460,339	355,121
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 468,690	\$ 460,339

Bright LED Electronics Corp.
Notes from Parent company only financial statements
Year 2019 and 2020
(Unless otherwise specified, all amounts are in units of NT \$thousand)

1. Company history

Bright LED Electronics Corp. (hereinafter referred to as the "Company") was established in June 1981. The company and its subsidiaries (hereinafter also referred to as "parent company") are principally engaged in the manufacturing and sales of light-emitting diode, indicator lights, displays and other extended products and undertaking engineering projects that provide indicator lights, displays and related supporting engineering projects.

2. The date and procedure for the approval of the financial statements

This parent financial statement was approved by the board of directors on March 18, 2021.

3. Application of newly issued and revised standards and explanations

(1) The impact of the newly issued and revised standards and interpretations approved by the Financial Regulatory Commission has been adopted

The company has applied the following newly revised International Financial Reporting Standards since January 1, 2020 and has no significant impact on parent company only financial report.

- Amendments to International Financial Reporting Standards (IFRS) No. 3 "Definition of Business"
- Amendments to International Financial Reporting Standards No. 9, International Accounting Standards No. 39 and International Financial Reporting Standards No. 7 "Changes in Interest Rate Indicators"
- Amendments to International Accounting Standard No. 1 and International Accounting Standard No. 8 "Definition of Materiality"
- Amendments to International Financial Reporting Standards No. 16 "New Coronavirus Pneumonia Related Rent Concessions"

(2) The impact of the International Financial Reporting Standards that have not adopted nor recognized by the Financial Supervisory Commission yet.

The company assesses that the following newly revised international financial reporting standards that have been effective from January 1, 2021 will not have significant impacts on parent company only financial report.

- Amendment to International Financial Reporting Standards (IFRS) No. 4 "Temporary Exemption from Application of IFRS No. 9 Extension"
- Amendments to International Financial Reporting Standards No. 9, International Accounting Standards No. 39, International Financial Reporting Standards No. 7, International Financial Reporting Standards No. 4, and International Financial Reporting Standards No. 16 "Changes in Interest Rate Indicators-Second stage".

(3) Newly issued or revised standards and interpretations not yet endorsed by Financial Supervisory Commission.

The standards and interpretations that have been newly issued or amended by the International Accounting Standards Board, but have not yet been approved by Financial Supervisory Commission are as follows:

Newly issued/ revised standards	Main content	Effective date
Amendment to International Accounting Standard No. 1 "Classification of Liabilities as Current or Non-current"	The amendments are intended to improve the consistency of the application of the standards to assist companies in determining whether debts or other liabilities that are uncertain on the settlement date should be classified as current (or may be due within one year) or non-current on the balance sheet. The revised provisions also clarify the classification requirements for debts that companies may convert into equity to pay off.	2023.1.1
Amendment to International Accounting Standard No. 16 "Real estate, plant and equipment price before reaching the intended state of use"	The amendment prohibits the company from deducting the cost of real property, plant and equipment from the sales price of the project that makes the asset ready for use. Otherwise, the sales price and related costs should be recognized in profit and loss.	2022.1.1
Amendment to International Accounting Standard No. 1 "Disclosure of Accounting Policies"	The major amendments of International Accounting Standard No. 1 include: • Require companies to disclose their material accounting policies instead of their important accounting policies; • Clarified that accounting policy information related to non-significant transactions, other matters or circumstances is non-significant, and there is no need to disclose such information; and • Clarified that all accounting policy information that is not related to material transactions, other events or circumstances is material to the company's financial statements.	2023.1.1
Amendment to International Accounting Standard No. 8 "Definition of Accounting Estimates"	The amendment introduces a new definition of accounting estimates, clarifying that accounting estimates are monetary amounts in financial statements that are affected by measurement uncertainty. The amendment also stipulates that the company must establish accounting estimates to achieve the purpose of its applicable accounting policies, thereby clarifying the relationship between accounting policies and accounting estimates.	2023.1.1

The company continuously evaluates the impact of the above standards and interpretations on the company's financial status and operating results, and the relevant impact will be disclosed when the evaluation is completed.

- (4) The company expects that the following other newly issued or revised standards that have not yet been approved will not have a significant impact on parent company only financial reports
- Amendments to International Financial Reporting Standards No. 10 and International Accounting Standards No. 28 "Sales or investment of assets between investors and their affiliates or joint ventures"

- Amendments to International Financial Reporting Standards (IFRS) No. 17 "Insurance Contracts" and its revision.
- Amendment to International Accounting Standard No. 37 "Supplementary Contracts-Cost of Consensus Contracts"
- Annual improvement of International Financial Reporting Standards (IFRS) 2018 to 2020 cycle
- Amendment to International Financial Reporting Standards(IFRS) No. 3 "Quotation of Conceptual Framework"

4. Summary of material accounting policies

A summary of the material accounting policies adopted in this parent company only financial report is as follows. The following accounting policies have been consistently applied to all presentation periods in this parent company only financial report.

(1) Compliance statement: This parent company only financial report is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

(2) Preparation basis:

1. Basis of measurement: Except for the following important items in the balance sheet, the rest items in parent company only financial report is prepared on the basis of historical cost:

1. Financial assets measured at fair value through profit and loss measured at fair value;
2. Financial assets at fair value measured by fair value through other comprehensive gains and losses
3. The net defined benefit liability is measured by subtracting the present value of defined benefit obligations from the fair value of pension plan assets.

2. Functional currency and presentation currency: The company uses the currency of the main economic environment in which it operates as its functional currency. This parent company only financial report is expressed in the company's functional currency, which is New Taiwan Dollars. All financial information expressed in New Taiwan Dollars is in thousands of New Taiwan Dollars.

(3) Foreign currency

1. Transactions in foreign currency:

Transactions in foreign currency are converted into functional currencies based on the exchange rate on the transaction date. On the date of each subsequent financial reporting period (hereinafter referred to as the reporting date), monetary items in foreign currencies are converted into functional currencies at the exchange rate of that day. Non-monetary items in foreign currency measured by fair value are converted into functional currencies at the exchange rate on the day when the fair value is measured, and Non-monetary items in foreign currency measured by historical cost are converted according to the exchange rate on the transaction date. Except the currency exchange differences arising from the conversion of equity instruments measured at fair value through other comprehensive gains and losses are recognized in other comprehensive gains and losses, the rest are recognized as gains and losses.

2. Foreign operating institutions:

The assets and liabilities of foreign operating institutions, including the goodwill and fair value adjustments generated during the acquisition, are converted into New Taiwan dollars based on the exchange rate on the reporting date; income and expense items are converted into New Taiwan dollars based on the current average exchange rate. The resulting exchange differences are recognized as other comprehensive gains and losses.

When disposing a foreign operating institution which results in loss of control, joint control or significant influence, the accumulated exchange differences related to the foreign operating institution are fully reclassified as gains or loss. When partly disposing investments in affiliated companies or joint ventures involving foreign operating institution,

the relevant accumulated exchange differences will be reclassified to other comprehensive gains and loss on a pro rata basis.

For monetary receivables or payables from foreign operating institutions, if there is no settlement plan and it is impossible to repay them in the foreseeable future, the foreign currency exchange gains and losses shall be regarded as the net investment of the foreign operating institution and is classified in other comprehensive gains and losses.

- (4) Classification criteria for distinguishing between current and non-current assets and liabilities
Assets that meet one of the following conditions are classified as current assets, and all others are classified as non-current assets:

1. Expect to realize the asset in its normal business cycle, or intend to sell or consume;
2. Hold the asset primarily for trading purposes;
3. Expected to be realized within twelve months after the reporting period; or
4. Liabilities that do not have the right to unconditionally defer the settlement period to at least twelve months after the reporting period. The terms of the liability, which may be settled by the issuance of equity instruments based on the choice of the counterparty, does not affect its classification.

- (5) Cash and cash equivalent

Cash includes cash on hand and demand deposits. Cash equivalent refers to a short-term and highly liquid investment that can be converted into fixed cash at any time with little risk of value changes. Term deposits that meet the aforementioned definition and whose holding purpose is to meet short-term cash commitments rather than investment or other purposes are listed in cash equivalents.

- (6) Financial instrument

1. Financial assets:

Financial assets at initial recognition are classified as: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive gain or loss, and financial assets measured at fair value through profit or loss. The company only reclassifies all affected financial assets from the first day of the next reporting period when changing the business model for managing financial assets.

1. Financial assets measured at amortized cost

When financial assets meet the following conditions at the same time and are not designated to be measured at fair value through profit and loss, they are measured at amortized cost:

- The financial asset is held under the business model for the purpose of collecting contractual cash flow.
- The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal in circulation.

These assets are subsequently measured by adding or subtracting the accumulative amortization amount calculated using the effective interest method to the originally recognized amount, and adjusting the amortized cost of any allowance loss. Interest income, foreign currency exchange gains and losses, and impairment losses are recognized in profit and loss. When delisting, the profit or loss is included into income.

2. Financial assets measured at fair value through other comprehensive gains and losses

When debt instrument for investment meets the following conditions at the same time and is not designated as measured at fair value through income, it is measured at fair value through other comprehensive gains and losses:

- The financial asset is held under the business model for the purpose of collecting contractual cash flow and selling.
- The contract terms of the financial asset generate cash flow on a specific date, which is

entirely the interest on the payment of the principal and the amount of principal in circulation.

At the time of initial recognition, the company can make an irrevocable choice which is to report subsequent changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income. The aforementioned choices are made on a tool-by-tool basis.

Investments, which are equity instruments, are subsequently measured at fair value.

Dividend income (unless it clearly represents the recovery of part of the investment cost) is recognized in income. The remaining net gains or losses are recognized as other comprehensive gains and losses and are not reclassified to income.

Dividend income from equity investments is recognized on the date when the company has the right to receive dividends (usually the ex-dividend date).

3. Financial assets measured at fair value through income.

Financial assets other than those measured at amortized cost or at fair value through other comprehensive gains and losses are measured at fair value through income, including derivative financial assets. The company intends to sell accounts receivable immediately or in the near future, which is measured at fair value through profit and loss, but is included under accounts receivable. At the time of initial recognition, in order to eliminate or significantly reduce the improper accounting ratio, the company has to irrevocably designate financial assets that could meet the criteria for measuring at amortized cost or at fair value through other comprehensive gains and losses as at fair value through income.

These assets are subsequently measured at fair value, and their net profit or loss (including any dividends and interest income) is recognized as profit or loss.

4. Impairment of financial assets

The company focuses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, deposit deposits and other financial assets). Assets, etc.), debt instrument investments measured at fair value through other comprehensive gains and losses, and expected credit losses of contract assets to recognize allowance losses.

The following financial assets are measured by the amount of expected credit losses for twelve months, and the rest are measured by the amount of expected credit losses during the duration:

- The credit risk of the judgment debt securities at the reporting date is low; and
- The credit risk of other debt securities and bank deposits (that is, the risk of default in the expected lifetime of financial instruments) has not increased significantly since initial recognition.

The allowance for losses on accounts receivable and contract assets is measured by the amount of expected credit losses during the duration.

When determining whether the credit risk has increased significantly since the initial recognition or not, the company considers reasonable and verifiable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and based on the company's historical experience, credit assessment and forward-looking information for analysis.

If the contract payment is overdue, the company assumes that the credit risk of financial assets has increased significantly.

If the borrower is unlikely to perform its credit obligations and pay the full amount to the company, the company considers that the financial asset has breached the contract.

Expected credit loss during the lifetime refers to the expected credit loss arising from all

possible defaults during the expected lifetime of a financial instrument.

Twelve-month expected credit losses refer to expected credit losses arising from possible defaults of financial instruments within twelve months after the reporting date (or a shorter period, if the expected duration of the financial instrument is shorter than twelve months).

The company's longest period for expected credit losses is the company's longest contract period during which the company is exposed to credit risk.

Expected credit loss is the probability-weighted estimate of the credit loss during the expected life of the financial instrument. Credit loss is measured by the present value of all short-term cash receipts, that is, the difference between the cash flow that the company can receive in accordance with the contract and the cash flow that the company expects to receive. Expected credit losses are discounted at the effective interest rate of financial assets.

On each reporting date, the company evaluate whether there is credit impairment for financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive gains and losses. When one or more events that have an adverse effect on the estimated future cash flow of a financial asset have occurred, the financial asset has been credit-impaired. Evidence that financial assets have been credit-impaired includes observable information about the following matters:

- Major financial difficulties of the borrower or issuer
- Breach of contract, such as delay or overdue
- Due to economic or contractual reasons related to the borrower's financial difficulties, the company gives the borrower a concession which the company wouldn't considered;
- The borrower is likely to file for bankruptcy or other financial reorganization; or
- Due to financial difficulties, the active market for this financial asset disappears.

The allowance loss for financial assets measured at amortized cost is deducted from the asset's book value. Through other comprehensive gains and losses, the fair value of the debt instrument for investment is measured by adjusting the income and recognized in other comprehensive gains and losses (without reducing the asset's book value).

When the company cannot reasonably expect the recovery of financial assets as a whole or part of it, the company directly reduces the total book value of its financial assets. For corporate accounts, the company individually analyzes the timing and amount of write-off based on whether it is reasonably expected to be recoverable. The company expects that the amount of written-off will not be materially reversed. However, financial assets that have been written off can still be enforced to comply with the company's procedures for recovering overdue amounts.

5. Delisting of financial assets

The company only terminates the contractual rights from the cash flow of the asset, or the financial asset has been transferred and almost all the risks and rewards of the asset ownership have been transferred to other companies, or almost no ownership has been transferred or retained and not kept under the control of the financial asset, the financial asset is delisted.

If the company signs a transaction to transfer financial assets that still retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments:

1. Classification of liabilities or equity

The debt and equity instruments issued by the 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.

2. Equity transaction

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 company are recognized at the amount obtained after deducting the cost of direct issuance.

3. Treasury stock

When repurchasing the equity instruments recognized by the company, the consideration paid (including directly attributable costs) is recognized as a reduction in equity. The repurchased shares are classified as treasury stock. The received amount of subsequent sales or re-issuance of treasury stocks is recognized as an increase in equity and the surplus or loss incurred by the transaction will be recognized as capital reserve or retained surplus (if the capital reserve is insufficient to offset).

4. Financial liabilities

Financial liabilities are classified as amortized cost or measured at fair value through profit and loss. If financial liabilities are held for trading, derivatives, or designated at the time of initial recognition, they are classified as measured at fair value through income. Financial liabilities measured at fair value through income are measured at fair value, and its related net profits and losses, including any interest expenses, are recognized in income.

Other financial liabilities are subsequently measured at the cost after amortization using the effective interest method. Interest expenses and gains and losses from exchange are recognized in income. Any profit or loss at the time of exclusion is also recognized in income.

5. Delisting of financial liabilities

The company delists financial liabilities when contractual obligations have been fulfilled, cancelled or expired. When the financial liability terms are modified and there is a significant difference in the cash flow of the liabilities after the modification, the original financial liabilities will be delisted and the new financial liabilities will be recognized at fair value based on the modified terms.

When delisting 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 income.

6. Offset between financial assets and liabilities

Financial assets and financial liabilities are only offset when the company currently has legally enforceable rights to offset and intends to settle on a net amount or realize assets and liquidate liabilities at the same time. Such offset will be expressed on the balance sheet as a net amount.

(7) Inventory

Inventory is measured by the lower of cost and net realizable value. Cost includes the acquisition, production or processing costs and other costs incurred to bring inventory to the available location and status. Such inventory is calculated by the weighted average method. The cost of finished goods and work-in-progress inventory includes manufacturing expenses that are amortized in proportion to normal production capacity.

Net realizable value refers to the estimated selling price under normal operations minus the estimated costs required to complete the project and the estimated costs required to complete the sale.

(8) Investment in associated companies

Associated company is which the company has a significant influence on its financial and operating policies, but not controlling or joint controlling. The company adopts the equity method for the equity of associated companies. Under the equity method, the original

acquisition is recognized as cost. Such investment cost includes transaction costs. The book value of the investment in associated companies includes the goodwill identified at the time of the original investment minus any accumulated impairment losses.

The parent company only financial report includes from the date of significant influence to the date of loss of significant influence. After making adjustments to comply with the company's accounting policy, the company recognizes the income and amount of other comprehensive gains and losses on each investment in associated companies based on the proportion of equity. When the related company's equity changes in non-income and in other comprehensive gains and losses that does not affect the company's shareholding ratio, the company will recognize as capital reserve according to the shareholding ratio.

Unrealized gains and losses arising from transactions between the company and associated companies are only recognized in the financial statements of the company within the scope of the non-affiliated investor's rights and interests in the associated company.

When the company recognizes the losses occurred that have been equaled or exceeded the company's equity in associated company, the company shall stop recognizing such losses. Only when legal obligations, constructive obligations or payments have been made on behalf of the invested company within the scope, additional losses and related liabilities will continue to be recognized by the company.

The company ceases to adopt the equity method from the day when its investment ceases to be an associated company and retains ownership at fair value. The difference between the fair value of the retained equity and the disposal price and the book value of the investment on the day when the equity method ceases to be used is recognized on the current date. For all amounts previously recognized in other comprehensive gains and losses related to the investment, the basis of accounting treatment for the company must be the same as the basis that the associated companies follow if they directly dispose related assets or liabilities, that is, if previously recognized in other comprehensive gains and losses, such amount must be reclassified as profit or loss (or retained earnings) when disposing related assets or liabilities. When the enterprise ceases to adopt the equity method, the profit or loss shall be reclassified from equity to income (or retained earnings). If the company's ownership interest in an associated company is reduced, but the equity method continues to be applied, the company will weight and reclassify the gains or losses that have been previously recognized in other comprehensive gains and losses related to the reduction of the ownership interest in accordance with the reduction ratio described above.

(9) Investment in subsidiaries

When preparing parent company only financial reports, the company adopts the equity method to evaluate investee companies with control. Under the equity method, the current profit and loss and other comprehensive gains and losses in the parent company only financial report are the same as the current profit and loss and other comprehensive gains and losses attributable to the parent company in the consolidated financial report. The owner's equity in parent company only financial report is also the same as the owner's equity attributable to the parent company in the consolidated financial report.

Changes in the ownership and equity of the subsidiary by the company which do not result in the loss of control shall be treated as equity transactions with the owner.

(10) Property, plant, and equipment

1. Recognition and measurement

Property, plant and equipment items are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the major components of property, plant and equipment have different durability, they are treated as separate items (main components) of property, plant and equipment.

The property, plant and equipment gains or loss by disposal is recognized in income.

2. Follow-up costs

Subsequent expenditures are only capitalized when their future economic benefits are likely to flow into the parent company.

3. Amortization

Depreciation is calculated based on the cost of assets minus the residual value, and the straight-line method is recognized in profit or loss within the estimated useful life of each component.

The land is not subject to depreciation.

The estimated service life of the current period and the comparative period is as follows:

(1) Housing and construction: 2 ~ 55 years

(2) Machine equipment: 2 ~ 8 years

(3) Others: Except that lease improvements are listed according to the lease term, the rest are 2 to 8 years.

The company reviews the depreciation method, durability, and residual value on each reporting day and makes appropriate adjustments when necessary.

(11) Lease

1. Lease judgment

The company evaluates whether the contract is a lease or contains a lease on the establishment date. If the contract transfers control over the use of the identified asset for a period of time in exchange for consideration, the contract is a lease or contains a lease. In order to evaluate whether the contract is a lease, the company evaluates the following items:

(1) The contract involves the use of an identified asset. The identified asset is specified in the contract or implied by the time when it is available for use. Its entity can distinguish or represent substantially all of its production capacity. If the supplier has substantive rights to replace the asset, the asset is not an identified asset; and

(2) The customer has the right to obtain almost all economic benefits from the use of the identified assets throughout the period of use; and

(3) The client obtains the right to lead the use of identified assets when one of the following conditions is met:

- The customer has the right to lead the use and purpose of the identified assets throughout the use period; or
- The relevant decisions about the use method and purpose of the asset are determined in advance, and:
 - The customer has the right to operate the asset during the entire use period, and the supplier does not have the right to change the operation instructions; or
 - The way the customer designs the asset has pre-determined the way and purpose of use for the entire period of use.

2. Lessee

The company recognizes the right-of-use asset and lease liability on the lease start date. The right-of-use asset is originally measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the lease start date, and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any leasing incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis between the start of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the parent company periodically assesses whether the right-of-use asset is impaired and processes any impairment loss that has occurred, and cooperates to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have

not been paid on the lease start date. If the implied interest rate of the lease is easy to determine, the discount rate is that rate. If it is not easy to determine, the incremental borrowing rate of the parent company is used. Generally speaking, the parent company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities include:

- (1) Fixed payment, including substantial fixed payment;
- (2) The lease payment depends on the change of an index or fee rate, the original measurement is based on the index or rate of the lease start date;
- (3) The guaranteed amount of residual value expected to be paid; and
- (4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and its amount is measured when the following occurs:

- (1) Changes in the index or rate used to determine lease payments result in changes in the future lease payments;
- (2) The guaranteed amount of residual value expected to be paid has changed;
- (3) The evaluation of the underlying asset purchase option has changed;
- (4) The estimate of whether to exercise the extension or termination option has changed, and the assessment of the lease period has been changed;
- (5) Modification of lease subject, scope or other terms.

When the lease liability is remeasured due to changes in the aforementioned index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchase, extension or termination options, the book value of the right-of-use asset should be adjusted accordingly, and When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

The parent company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

3. Lessor

The transaction of the company as the lessor is to classify the lease contract according to whether it transfers almost all the risks and rewards attached to the ownership of the underlying asset on the date of the lease establishment. If it is classified as a financial lease, otherwise it is classified as an operating lease. At the time of evaluation, the parent company considers whether it covers the relevant specific indicators such as whether it covers the main part of the economic life of the underlying asset during the lease period. If the agreement includes lease and non-lease components, the parent company uses IFRS 15 to distribute the consideration in the contract.

(12) Impairment of non-financial assets

The company assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventory, contract assets, deferred income tax assets) may be impaired. .

For the purpose of impairment testing, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group.

The recoverable amount is the higher of the fair value of individual assets or cash-generating units minus the cost of sales and its use value. When assessing value in use, the estimated

future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks of the asset or cash-generating unit. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Impairment losses are recognized immediately in the current profit and loss.

(13) Revenue recognition

1. Revenue from customer contracts

Revenue is measured by the consideration expected to be obtained for the transfer of goods or services. The parent company recognizes revenue when the control of goods or services is transferred to the customer and the performance obligations are met. The company is explained as follows according to the main income items:

(1) Selling goods

The company recognizes revenue when the control of the product is transferred. The transfer of control of the product means that the product has been delivered to the customer, the customer can fully determine the sales channel and price and there is no unfulfilled obligation that will affect the customer's acceptance of the product. Delivery occurs when the product is shipped to a specific location, its obsolescence and risk of loss have been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, the acceptance terms have lapsed, or the company has objective evidence that all acceptance conditions have been met.

The company's average credit period is 90 days, which is consistent with the industry's practice, so it does not include financing elements.

The company recognizes the accounts receivable when delivering the goods, because the company has the right to receive the consideration unconditionally at that time.

(2) Construction contract

The company is engaged in public construction business. Since the assets are controlled by customers at the time of construction, the revenue is gradually recognized over time based on the proportion of the engineering costs incurred so far to the estimated total contract costs. The contract includes fixed and variable consideration. The customer pays a fixed amount according to the agreed time. Some changes in the consideration are estimated using the accumulated experience in the past as the expected value; other changes in the consideration are estimated based on the most likely amount. Considering that the construction progress of public works is influenced by factors that are not under the control of the parent company, the rewards for early completion are usually limited. The parent company only recognizes revenue within the scope of the cumulative income height that is unlikely to undergo a major turnaround. If the amount of the recognized income has not been requested, it is recognized as a contract asset. When there is an unconditional right to the consideration, the contract asset is transferred to the accounts receivable.

If it is not possible to reasonably measure the degree of completion of the performance obligations of the engineering contract, contract revenue is recognized only within the range of expected recoverable costs.

When the company anticipates that the inevitable cost of fulfilling the obligations of a construction contract exceeds the expected gains from the contract, the liability provision for the lossy contract is recognized.

If the situation changes, the estimates of income, cost, and degree of completion will be revised, and during the period when the management is informed of the change in the situation, the resulting changes will be reflected in income.

The company provides standard warranty for public construction that conforms to the agreed specifications and has recognized warranty liability for this obligation.

(3) Financial components

The company expects that the time between the transfer of all customer contracts for goods or services to the customer and the time for the customer to pay for the goods or services will not exceed one year. Therefore, the company does not adjust the monetary time value of the transaction price.

(14) Cost of customer contract

1. The incremental cost of obtaining a contract

If the company expects to recover the incremental cost of obtaining a customer contract, the cost is recognized as an asset. The incremental cost of obtaining a contract is the cost incurred in obtaining a customer contract and not incurred if the contract is not obtained. The cost of obtaining a contract that will occur regardless of whether the contract is obtained is recognized as an expense when incurred, unless such cost is clearly chargeable to the customer regardless of whether the contract has been obtained.

The company adopts the standard practical expedient method. If the incremental cost of obtaining a contract is recognized as an asset and the amortization period of the asset is within one year, it is recognized as an expense when the incremental cost occurs.

2. The cost of fulfilling the contract

If the costs incurred in fulfilling the customer's contract are not within the scope of other standards (International Accounting Standard No. 2 "Inventory", International Accounting Standard No. 16 "Real Estate, Plant and Equipment" or International Accounting Standard No. 38 "Intangible Assets"), The parent company will only begin when these costs are directly related to the contract or clearly identifiable expected contract, will generate or strengthen resources that will be used to meet (or continue to meet) performance obligations in the future, and are expected to be recovered. Such costs are recognized as assets.

General and administrative costs, wasted raw materials used to fulfill the contract but are not reflected in the contract price, labor or other resource costs, costs related to fulfilled (or partially fulfilled) performance obligations, and inability to distinguish between unsatisfied and unsatisfied performance. Costs related to obligations or fulfilled (or partially fulfilled) performance obligations are recognized as expenses when incurred.

(15) Government subsidy

When the company can receive government subsidies related to salary expenditures, the unconditional subsidies are recognized as other income. For other asset-related subsidies, when the company can reasonably be sure that it will comply with the conditions attached to the government subsidy and will receive the subsidy, such subsidies will be recognized as deferred income at fair value and recognize the deferred income as other income on a systematic basis within the useful life of the asset. For compensating the company's expenses or losses, such subsidies are recognized in income on a systematic basis and its related expenses as well are recognized in income.

(16) Employee benefits

1. Determine the withdrawal plan

The obligation to determine the pension plan is recognized as an expense during the service period of the employee.

2. Determine the welfare plan

The company's net obligation to determine the benefit plan is calculated for each benefit plan based on the present value of the employee's future benefits earned during the current or previous period of service, and the fair value of any plan assets is deducted.

The determination of welfare obligations is carried out annually by a qualified actuary based on the expected unit welfare method. When the calculation result may be beneficial to the company, the recognized asset is limited to the present value of any economic benefits that may be obtained in the form of refunding the withdrawal from the plan or reducing the

future withdrawal from the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

The re-measured amount of net-determined welfare liabilities, including actuarial gains and losses, planned asset compensation (excluding interest), and any changes in the asset ceiling effect (excluding interest) are immediately recognized in other comprehensive profit and loss and accumulated in retained earnings. The company determines the net interest expense (income) of the net determined benefit liability (asset), using the net determined benefit liability (asset) and discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses that determine the benefit plan are recognized in profit or loss.

When the plan is revised or reduced, the number of changes in welfare related to previous service costs or reduced benefits or losses is immediately recognized as profit or loss. When liquidation occurs, the company recognizes and determines the liquidation profit and loss of the welfare plan.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are provided. If the company has current statutory or presumptive payment obligations due to employees providing services in the past, and the obligation can be reliably estimated, the amount is recognized as a liability.

(17) Share-based payment transaction

The share-based payment agreement for equity settlement is based on the fair value of the payment date. During the vesting period of the reward, the expense is recognized and the relative equity is increased. The recognized expense is adjusted according to the expected amount of rewards that meet the service conditions and non-market-priced vested conditions; and the final recognized amount is measured on the basis of the amount of rewards that meet the service requirements and non-market-priced vested conditions on the vesting day.

The non-vested conditions for the share-based payment of rewards have been reflected in the measurement of the daily fair value of the share-based payment and the difference between the expected and actual results does not need to be verified and adjusted.

The fair value of amount payable to employees for cash-delivered share appreciation rights is to recognize expenses and increase relative liabilities during the period when employees can obtain unconditional remuneration. The liability is remeasured on the basis of the fair value of the share appreciation rights on each reporting date and settlement date, and any changes in it are recognized as income.

(18) Income tax

Income tax includes current and deferred income tax. Except for those related to business consolidations or related items recognized directly in equity or other comprehensive gains or loss, current income tax and deferred income tax should be recognized in income.

Current income tax includes the estimated income tax payable or tax receivable payable based on the taxable income (loss) of the current year and any adjustments to income tax payable or tax receivable receivable in the previous year. The amount is based on the statutory tax rate on the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred income tax measures and recognizes the temporary difference between the book value of assets and liabilities for financial statementing purposes and their tax base. Temporary differences arising from the following circumstances are not recognized as deferred income tax:

1. Assets or liabilities originally recognized in a transaction that is not a business consolidation and does not affect accounting profits and taxable income (loss) at the time of the transaction;

2. Due to temporary differences arising from investment in subsidiaries, affiliated companies and joint venture interests, the company can control the timing of the temporary difference reversal and is likely to not revert in the foreseeable future.

Deferred income tax is measured at the tax rate at which the temporary difference is expected to reverse, and is based on the legal tax rate or substantive legislative tax rate on the reporting date.

The company will only offset the deferred income tax assets and deferred income tax liabilities when it meets the following conditions at the same time:

1. Have statutory enforcement power to offset current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers subject to income tax levied by the same tax authority;
 1. The same taxpayer; or
 2. Different taxpayers, but each entity intends to pay off the current income tax liabilities and assets on a net basis for each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled, or at the same time Assets and liquidation of liabilities.

For the unused taxable losses and unused income tax credits at the later stage of transfer and deduction, the temporary difference can be recognized as deferred income tax assets in the range where there is a possibility that future taxable income will be available. It will be reassessed on each reporting day to reduce the relevant income tax benefits to the extent that it is not likely to be realized; or to revert the amount that has been reduced to the extent that it is likely to have sufficient taxable income.

(19) Earnings per share

The company lists the basic and diluted earnings per share attributable to the holders of the company's common equity. The basic earnings per share of the parent company is calculated by dividing the profit and loss attributable to the holders of the common stock equity of the company by the current weighted average number of common shares outstanding. Diluted earnings per share is calculated by adjusting the impact of all potential diluted common shares by dividing the profit and loss attributable to the common equity holders of the company and the weighted average number of common shares outstanding. The potential dilutive common stock of the merged company includes the employee's stock options and estimated employee compensation.

(20) Department Information

The company has disclosed departmental information in the consolidated financial report, so parent company only financial reports do not disclose departmental information.

5. Major sources of uncertainty in significant accounting judgments, estimates and assumptions

When the management compiles this parent company only financial report in accordance with the "Standards for the Preparation of Financial Reports for Securities Issuers", it must make judgments, estimates and assumptions, which will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Management team continues to review estimates and basic assumptions and changes in accounting estimates are recognized during the period of change and affected future period.

The accounting policy involves significant judgments and has no significant impact on the amount recognized in this parent financial statement.

Among uncertainties in assumptions and estimates, the existence of significant risks that will not cause major adjustments for the following year will be as follows:

1. Allowance loss for accounts receivable

The allowance loss for the accounts receivable of the company is estimated based on the assumption of default risk and expected loss rate. The company considers historical experience, current market conditions and forward-looking estimates on each reporting day to determine the assumptions and input values that must be used when calculating impairments. Please refer to Note 6 (3) for detailed explanations of relevant assumptions and input values.

6. Explanation of important accounting items

(1) Cash and Cash equivalent:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Petty cash, cheques and demand deposits	\$ 388,946	280,459
Certificate deposits	79,744	179,880
	<u><u>\$ 468,690</u></u>	<u><u>460,339</u></u>

Please refer to Note 6 (19) for the disclosure of interest rate risk and sensitivity analysis of the company's financial assets and liabilities.

The company's certificate deposits for more than three months as of December 31, 2020 and 2019 were \$0 thousand and \$14,613 thousands respectively. Because they were not used as the company's short-term assets, the accounts were recognized under other financial assets-current items. Please refer to note 6 (8) for details.

(2) Financial assets measured at fair value through other comprehensive gains and losses:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instruments measured at fair value through other comprehensive gains and losses :		
Domestic listed (counter) company stocks-Powertip	\$ 152,542	148,548
Domestic unlisted (counter) company stocks-WK 9 ASSOCIATES LTD	342,008	308,526
Domestic unlisted (counter) company stocks— Other	213,563	182,375
U.S. listed company stocks	2,882	6,358
TOTAL	<u><u>\$ 710,995</u></u>	<u><u>645,807</u></u>

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

Due to the above-mentioned designation as an equity instrument investment measured at fair value through other comprehensive gains and losses, the dividend income recognized in 2020 and 2019 was \$3,691,000 and \$19,592,000, respectively.

2. For credit risk and market risk information, please refer to Note 6 (19).
3. None of the company's financial assets measured at fair value through other comprehensive gains and losses have been provided as pledge and guarantees as of December 31, 2020 and 2019.

(3) Notes receivable, accounts receivable and collections

	2020.12.31	2019.12.31
Notes receivable— Occurs due to business	\$ 20,297	20,560
Accounts receivable— Measured by cost after amortization	264,021	275,050
Accounts receivable—	40,033	50,033
Related parties-measured at amortized cost		
Collection	311,540	537,116
Deduct : Allowance for bad debts	(312,699)	(539,187)
	<u>\$ 323,192</u>	<u>343,572</u>

The company adopts a simplified method to estimate expected credit losses for all notes receivable and accounts receivable, that is, using lifetime expected credit losses to measure. For the purpose of measurement, these notes and accounts receivable are based on the basis of representing customers' common credit risk characteristics of the contractual terms and ability to pay all due amounts are grouped and forward-looking information has been incorporated, including general economic and related industry information. The expected credit loss of the company's notes and accounts receivable analysis is as follow:

	2020.12.31		
	Accounts receivable Book value	Weighted avg.expected credit loss ratio	Expected credit loss during the allowance period
Not overdue	\$ 316,375	0.01%	(28)
Less than 90 days overdue	7,214	5.14%	(371)
91~365 days overdue	3	33.33%	(1)
More than 366 days overdue	312,299	100%	(312,299)
	<u>\$ 635,891</u>		<u>(312,699)</u>

	2019.12.31		
	Accounts receivable Book value	Weighted avg.expected credit loss ratio	Expected credit loss during the allowance period
Not overdue	\$ 342,482	0.01%	(31)

Less than 90 days overdue	1,208	7.31%	(87)
More than 366 days overdue	<u>539,069</u>	100%	<u>(539,069)</u>
	<u>\$ 882,759</u>		<u>(539,187)</u>

The company's notes receivables, accounts receivable and collections of the allowance loss's statement of changes are as follows:

	2020	2019
Beginning balance	\$ 539,187	540,471
Recognized impairment loss	281	-
Reversal of impairment loss	-	(1,037)
Annual amount written off due to uncollectible	<u>(226,769)</u>	<u>(247)</u>
Ending balance	<u>\$ 312,699</u>	<u>539,187</u>

None of the company's notes and accounts receivable have been provided as pledge and guarantees as of December 31, 2020 and 2019.

(4) Inventory

1. The inventory details are as follows:

	109.12.31	108.12.31
Raw materials and consumables	\$ 7,266	5,290
WIP	-	425
Semi-finished goods	5	-
Finished goods	5,026	5,164
In-transit	<u>2,683</u>	<u>1,922</u>
	<u>\$ 14,980</u>	<u>12,801</u>

2. The company recognizes the loss of inventory depreciation due to inventory write-down to the net realizable value, or the increase in the net realizable value due to the improvement of economic conditions and the reduction of the recognized cost of goods sold are as follows:

	2020	2019
Loss for market price decline and obsolescence.		
(Gain from recovery)	<u>\$ 402</u>	<u>(753)</u>

3. None of the company's inventories have been provided as pledge and guarantees as of December 31, 2020 and 2019.

(5) Investment using the equity method

The company's investments using the equity method on the reporting date are listed below:

	2020.12.31	2019.12.31
Subsidiaries	\$ 2,482,278	2,545,675
Associated companies	<u>119,988</u>	<u>114,728</u>
	<u>\$ 2,602,266</u>	<u>2,660,403</u>

1. Subsidiaries

Please refer to 2020 consolidated financial report

2. The associated companies of the company that adopt the equity method are individually insignificant, and their summary financial information is as follows.

Such financial information is the amount included in the company's individual financial report:

	2020.12.31	2019.12.31
Period-end summary of the equity of individual insignificant associated companies		
Book value	\$ 629,229	507,109
	2020	2019
Share attributable to the company :		
Continuing business unit's current net profit	\$ 21,858	9,120
Other comprehensive gain and loss	1,702	(7,625)
Total comprehensive gain and loss	\$ 23,560	1,495

3. Guarantee

None of the company's investment using the equity method have been provided as pledge and guarantees as of December 31, 2020 and 2019

(6) Property, plant and equipment

The cost and depreciation changes of the company's property, plant and equipment are as follows:

	Property	Plant	Equipment	Other	Total
Cost :					
Balance as of January 1, 2020	\$ 41,360	31,668	2,360	27,106	102,494
Add	-	-	1,184	-	1,184
Dispose	-	-	-	(1,858)	(1,858)
Reclassify	-	-	9,542	-	9,542
Balance as of December 31, 2020	\$ 41,360	31,668	13,086	25,248	111,362
Balance as of January 1, 2019	\$ 41,360	31,668	2,360	26,985	102,373
Add	-	-	-	127	127
Dispose	-	-	-	(6)	(6)
Balance as of December 31, 2019	\$ 41,360	31,668	2,360	27,106	102,494
Amortization :					
Balance as of January 1, 2020	\$ -	23,614	2,360	25,603	51,577
Amortize	-	471	1,615	831	2,917
Dispose	-	-	-	(1,858)	(1,858)
Balance as of December 31, 2020	\$ -	24,085	3,975	24,576	52,636
Balance as of January 1, 2019	\$ -	23,051	2,360	24,619	50,030
Amortize	-	563	-	990	1,553
Dispose	-	-	-	(6)	(6)
Balance as of December 31, 2019	\$ -	23,614	2,360	25,603	51,577

Book value :

Balance as of December 31, 2020	\$	41,360	7,583	9,111	672	58,726
Balance as of December 31, 2019	\$	41,360	8,054	-	1,503	50,917

None of the company's property, plant and equipment have been provided as pledge and guarantees as of December 31, 2020 and 2019.

(7) Right-of-use asset

The cost and depreciation of the company's leased land, houses and buildings, etc., are detailed as follows:

	Plant
Cost of Right-of-use asset :	
Balance as of January 1, 2020	\$ 9,420
Deduct	(1,258)
Balance as of December 31, 2020	<u>\$ 8,162</u>
Balance as of January 1, 2019	\$ 8,520
Add	900
Balance as of December 31, 2019	<u>\$ 9,420</u>
Amortization of Right-of-use asset :	
Balance as of January 1, 2020	\$ 2,650
Amortize	2,401
Deduct	(742)
Balance as of December 31, 2020	<u>\$ 4,309</u>
Balance as of January 1, 2019	-
Amortize	2,650
Balance as of December 31, 2019	<u>\$ 2,650</u>
Book value :	
Balance as of December 31, 2020	<u>\$ 3,853</u>
Balance as of December 31, 2019	<u>\$ 6,770</u>

The decrease and increase of the right-of-use assets are due to the end of the lease term of the company's retail store and the change of lease term. Please refer to Note 6 (11) for details on the changes in lease liabilities.

(8) Other financial assets-current

	2020.12.31	2019.12.31
Other receivables	\$ 32,932	17,780
Restricted assets-certificate deposits	61,306	59,846
Other	-	14,613
	<u>\$ 94,238</u>	<u>92,239</u>

None of the company's other receivable have been impaired as of December 31, 2020 and 2019.

(9) Long-term loans

The details of the company's long-term loans are as follows:

	Maturity	2020.12.31	2019.12.31
Unsecured bank loans	2020	\$ -	8,176
Deduct: Long-term loans due within one year		-	(8,176)
Total		<u>\$ -</u>	<u>-</u>
Unused quota		<u>\$ -</u>	<u>-</u>
Current interest rate range		<u>-</u>	<u>1.62%</u>

(10) Other payables and other current liabilities

	2020.12.31	2019.12.31
Payable expenses	\$ 7,579	6,516
Salaries and bonuses payable	15,256	15,309
Payable employee dividends and remuneration to directors and supervisors	26,864	27,968
Pension payable	437	423
Other	5,112	2,583
	<u>\$ 55,248</u>	<u>52,799</u>

(11) Lease liability

The book values of the company's lease liabilities are as follows:

	2020.12.31	2019.12.31
Current	<u>\$ 2,211</u>	<u>2,674</u>
Non-current	<u>\$ 1,777</u>	<u>4,240</u>

For maturity analysis, please refer to Note 6 (19) Financial Instruments.

The company reduced its lease liabilities by \$503,000 in 2020 due to the end of the company's retail store term. In 2019, the company increased its lease liabilities by \$900,000 due to the change in leasing period of the company's retail store. Please refer to Note 6 (7) for the explanation of the related changes in the right-of-use assets.

The amounts recognized in income are as follows

	2020	2019
Interest expense on lease liability	<u>\$ 86</u>	<u>125</u>
Changes in lease payments that are not included in the measurement of lease liabilities and Costs for short-term leases and low-value leased assets	<u>\$ 13</u>	<u>-</u>

The amounts recognized in the cash flow statement are as follows:

	2020	2019
Total cash outflow from lease	<u>\$ 2,522</u>	<u>2,763</u>

The company's renews period for the lease term of land, houses and buildings as office premises and factory plants is usually three to five years.

(12) Employee benefits

1. Determine the benefit plan

The company determines the adjustment between the present value of welfare obligations and the fair value of project assets as follows

	2020.12.31	2019.12.31
Determine the present value of welfare obligations	\$ (41,072)	(39,132)
Fair value of project assets	15,717	15,007
Net Definite Benefits Net Liabilities	<u>\$ (25,355)</u>	<u>(24,125)</u>

The company's definite benefit plan is transferred to the special labor retirement reserve account of the Bank of Taiwan. The retirement payment of each employee which is subject to the Labor Standards Act is calculated based on the base number of years of service and the average salary of the six months before retirement.

(1) Project asset composition

The retirement fund allocated by the company in accordance with the Labor Standards Act is coordinated and managed by Bureau of labor funds under Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). The minimum income allocated shall not be lower than the income calculated based on the two-year fixed deposit interest rate of the local bank.

As of the end of the reporting period, the balance of the company's Labor Retirement Reserve Special Account in Bank of Taiwan was \$15,717 thousands. The information on the use of labor pension funds includes fund return rate and fund asset allocation. Please refer to the information published on the website of Bureau of labor funds under Ministry of Labor.

(2) Determination of changes in the present value of welfare obligations

The company's determination of the changes of the present value of welfare Obligations in 2020 and 2019 are as follows:

	2020	2019
Confirmation of welfare obligations on January 1	\$ (39,132)	(39,521)
Current service cost and interest	(420)	(411)
Remeasurement of net defined benefit liabilities		
— Profit (loss) of project asset return	(1,747)	317
— Actuarial losses due to changes in financial assumptions	(1,573)	(196)
Project Benefits paid	1,800	679
Confirmation of welfare obligations on December 31	<u>\$ (41,072)</u>	<u>(39,132)</u>

(3) Changes in the fair value of project assets

The company's changes in the fair value of the assets of the determined benefit plan in 2020 and 2019 are as follows:

	2020	2019
Fair value of project assets on January 1	\$ 15,007	14,925
Interest income	96	72
Remeasurement of net defined benefit liabilities		
— Benefits of project asset remuneration (excluding current interest)	515	589

Amount allocated to the project	99	100
Project Benefits paid	-	(679)
Fair value of project assets on December 31	<u>\$ 15,717</u>	<u>15,007</u>

(4) Expenses recognized as profit and loss

List of recognized expenses in 2020 and 2019 is as follow:

	2020	2019
Current service cost	\$ 157	155
Net interest on net confirmed benefit liabilities	167	183
	<u>\$ 324</u>	<u>338</u>

	2020	2019
Management fees	<u>\$ 324</u>	<u>338</u>

(5) Re-measured amount of net confirmed benefit liabilities recognized as other comprehensive gains and losses

The company's accumulated remeasured amount of net defined benefit liabilities recognized in other comprehensive income is as follows:

	2020	2019
Accumulated balance on January 1	\$ (9,518)	(8,808)
Recognized loss (profit) in the current period	2,805	(710)
Accumulated balance on December 31	<u>\$ (6,713)</u>	<u>(9,518)</u>

(6) Actuarial assumption

The major actuarial assumptions used by the company to determine the present value of welfare obligations at the end of the financial report are as follows:

	2020.12.31	2019.12.31
Discount rate	0.30%	0.70%
Future salary increase	2.00%	2.00%

The company expects to pay \$454,000 to the definite benefit plan within one year after the reporting date in 2020.

The weighted average duration of the defined benefit plan is 9 years.

(7) Sensitivity analysis

When calculating and determining the present value of welfare obligations, the company must use judgments and estimates to determine relevant actuarial assumptions on the balance sheet, including discount rates, employee turnover rates, and future salary changes, etc. Any change in actuarial assumptions may materially affect the amount of the company's determined welfare obligations.

When adopting the main actuarial assumptions, the impact of changes in determining the present value of welfare obligations in 2020 and as of December 31, 2019 is as follows:

	Impact on determined welfare obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate	\$ (994)	1,034
Future salary increase	1,014	(980)

December 31, 2019

Discount rate	(964)	1,005
Future salary increase	989	(954)

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 in 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.

2. Determine the allocation plan

The company's defined allocation plan is based on the labor pension regulations and is allocated to Bureau of labor insurance's labor pension individual account at a rate of 6% of the labor's monthly salary. Under this plan, after the company allocates a fixed amount to Bureau of labor insurance, there is no statutory or constructive obligation to pay additional amounts. The pension expenses under the method for determining the appropriation of pensions in 2020 and 2019 are \$2,556,000 and \$2,541,000 respectively, which have been allocated to Bureau of labor insurance.

(13) Income tax

1. Income tax expense

(1) The company's income tax expenses are as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense		
Occurred in the current period	\$ 28,445	8,778
Finance and tax difference	(71)	(91)
Income tax assessment difference	<u>2,721</u>	<u>2,899</u>
	<u>31,095</u>	<u>11,586</u>
Deferred income tax expense		
The occurrence and reversal of temporary differences	<u>16,185</u>	<u>5,640</u>
Income tax expense	<u><u>\$ 47,280</u></u>	<u><u>17,226</u></u>

(2) The details of income tax (benefits) expenses recognized by the company under other comprehensive gains and losses are as follows:

The company's details of income tax (benefits) expenses recognized under other comprehensive gains and losses in 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Items not reclassified to profit or loss :		
The actuarial profit (loss) of the defined benefit welfare plan	<u><u>\$ (561)</u></u>	<u><u>142</u></u>

(3) The reconciliation between the company's income tax expenses and pre-tax net profit is adjusted as follows:

	<u>2020</u>	<u>2019</u>
Net profit before tax	\$ 175,405	251,712
Income tax calculated based on the domestic tax rate of the company's location	35,081	50,342
Recognize the net investment interest using the equity method	4,783	(32,951)
Tax adjustment	(773)	(2,973)
Undistributed surplus levied 5%	5,539	-
Differences between income tax assessment estimation	<u>2,650</u>	<u>2,808</u>

\$ 47,280 17,226

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax liabilities

The items that the company's overseas investee companies have not recognized as deferred income tax liabilities are as follows:

	<u>109.12.31</u>	<u>108.12.31</u>
Accumulated unrealized profit share with overseas investee companies	<u>\$ 328,937</u>	<u>339,571</u>

(2) Unrecognized deferred income tax assets

The items that the company's overseas investee companies have not recognized as deferred income tax assets are as follows:

	<u>109.12.31</u>	<u>108.12.31</u>
Accumulated unrealized loss share with overseas investee companies	<u>\$ 186,948</u>	<u>182,177</u>

The temporary differences related to overseas investee companies are not recognized as deferred income tax assets and liabilities because the company can control the timing of the reversal of the temporary differences, and it is likely that they will not revert in the foreseeable future in 2020 and as of December 31, 2019.

(3) Recognized deferred tax assets and liabilities

The changes in the company's deferred income tax assets and liabilities are as follows:

	<u>Defined benefit plan</u>	<u>Other</u>	<u>Total</u>
Deferred income tax asset :			
Balance as of January 1, 2020	\$ 7,770	9,168	16,938
(Debit)/Credit Income Statement	(315)	4,346	4,031
Balance as of December 31, 2020	<u>\$ 7,455</u>	<u>13,514</u>	<u>20,969</u>
Balance as of January 1, 2019	\$ 7,722	14,906	22,628
(Debit)/Credit Income Statement	48	(5,738)	(5,690)
Balance as of December 31, 2019	<u>\$ 7,770</u>	<u>9,168</u>	<u>16,938</u>
Deferred income tax liability :			
Balance as of January 1, 2020	\$ 1,902	1	1,903
(Debit)/Credit Income Statemen	-	20,216	20,216
(Debit)/Credit other comprehensive gain/loss	(561)	-	(561)
Balance as of December 31, 2020	<u>\$ 1,341</u>	<u>20,217</u>	<u>21,558</u>
Balance as of January 1, 2019	\$ 1,760	51	1,811
(Debit)/Credit Income Statemen	-	(50)	(50)

(Debit)/Credit other comprehensive gain/loss	142	-	142
Balance as of December 31, 2019	\$ 1,902	1	1,903

3. The income tax settlement declaration of the company's profitable business has been approved by the auditing agency till year of 2018.

(14) Capital and other equity

1. Equity

The company's authorized total capital stock is \$3,500,000 thousands. A par value of \$10 per share with total of 350,000 thousand shares. The aforesaid total authorized share capital is all common stock. The issued shares are 181,674 thousand shares and 186,674 thousand shares respectively and the payment for all issued shares has been received.

2. Capital reserve

The content of the company's capital reserve balance is as follows:

	2020.12.31	2019.12.31
Premium of issued stock	\$ 308,780	329,683
Convertible corporate bonds during the redemption period are classified as other items in capital reserve	88,350	88,350
Capital reserve arising from share-based payment transactions	23,100	23,100
Adopting the equity method to recognize the changes in the net value of the equity of affiliated companies and joint venture	343	-
Changes in affiliated companies recognized using the equity method	836	-
Other	550	550
	\$ 421,959	441,683

According to the Company Act, the capital reserve must be given priority to make up for the losses before it can be issued to new shares or cash in proportion to the shareholders' original shares based on the realized capital reserve. The "realized capital reserve" mentioned in the preceding paragraph includes the excess of the issuance of stocks in excess of the par value and the income received from donations. In accordance with "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the total amount of the capital reserve that can be allocated for replenishment each year shall not exceed 10% of the paid-in capital.

3. Retained earning

According to the company's articles of association, if there is a surplus in the annual final accounts, the tax should be paid first and make up for the accumulated losses over the years, then 10% of legal reserve shall be set aside and the special reserve shall be set aside or converted according to the law or the competent authority. If there is still a surplus after, the balance shall be added to the undistributed reserve accumulated in the previous year and the board of directors shall draft a distribution proposal and submit it to the shareholders meeting for a resolution.

In accordance with the Company Act, the company authorizes the board of directors to have more than two-thirds of the directors present and the resolution of more than half of the directors present shall distribute dividends and bonuses or legal reserve stipulated in Article 241, Paragraph 1 of the Company Act and all or part of the paid-in capital. The above all shall be distributed in cash and reported to the board of directors.

Shareholder dividends and employee dividends are issued in two types: stock dividends and cash dividends, of which the ratio of cash dividends shall not be less than 10%.

The company's board of directors resolved to distribute cash dividends for 2019 earnings on March 20, 2020, and in the shareholders' meeting resolved cash dividends for 2018 earnings on June 12, 2019. The dividends distributed to owners are as follows:

	2019		2018	
	<u>Dividend rate</u>	<u>Amount</u>	<u>Dividend rate</u>	<u>Amount</u>
Dividends distributed to owners of common stock :				
Cash	\$ 0.82	<u>141,340</u>	0.52	<u>97,071</u>

On March 18, 2021, the board of directors proposed a profit distribution proposal for 2020. The amount of dividends distributed to owners is as follows:

	2020	
	<u>Dividend rate</u>	<u>Amount</u>
Dividends distributed to owners of common stock :		
Cash	\$ 0.80	<u>137,339</u>

4. Treasury stock

The company passed a resolution of the board of directors on March 20, 2020 to buy back 5,000 thousand common stock as necessary to maintain the company's credit and shareholders' equity. Since the company's original issued common stock were 186,674 thousand shares, the proposed purchase of shares this time are accounted for 2.68% of the issued common stock, which did not have a significant impact on the company's financial status.

The treasury stock's buyback plan was completed on May 22, 2020. A total of 5,000 thousand shares were bought back with total amount of \$70,903 thousands. The company's board of directors resolved on August 7, 2020 to cancel the 5,000 thousand treasury shares bought back for the purpose of maintaining the company's credit and shareholders' equity. The base date for capital reduction is August 10, 2020, and the change registration has been completed.

The company passed a resolution of the board of directors on August 9, 2019 to buy back 10,000 thousand common stock as to transfer to employees. Since the company's original issued common stock were 186,674 thousand shares, the proposed purchase of shares this time are accounted for 5.36% of the issued common stock, which did not have a significant impact on the company's financial status. The treasury stock's buyback plan was completed on October 9, 2019. A total of 10,000 thousand shares were bought back with total amount of \$149,507 thousands.

As of December 31, 2019 and 2020, the number of shares repurchased as treasury stock was 10,000 thousand shares.

5. Other equity (net after tax)

	<u>Difference arising from the exchange of net assets of foreign operating institutions</u>	<u>Unrealized gains and losses of financial assets measured at fair value through other comprehensive gains and losses</u>	<u>Other</u>
Balance as of January 1, 2020	\$ (178,989)	177,576	(1,413)
difference arising from the exchange of net assets of foreign operating institutions	(15,813)	-	(15,813)
Unrealized gains and losses of financial assets measured at fair value through other			

comprehensive gains and losses	-	68,818	68,818
Dispose of equity instruments measured at fair value through other comprehensive gains and losses	-	57	57
Balance as of December 31, 2020	\$ (194,802)	246,451	51,649
Balance as of January 1, 2019	\$ (89,632)	5,250	(84,382)
difference arising from the exchange of net assets of foreign operating institutions	(89,357)	-	(89,357)
Unrealized gains and losses of financial assets measured at fair value through other comprehensive gains and losses	-	173,177	173,177
Dispose of equity instruments measured at fair value through other comprehensive gains and losses	-	(851)	(851)
Balance as of December 31, 2019	\$ (178,989)	177,576	(1,413)

(15) Earning per share

1. Basic earnings per share

The basic earnings per share of the company for 2020 and 2019 are calculated on the basis of the net profit attributable to ordinary equity holders of the company and the weighted average number of outstanding shares of ordinary shares. The relevant calculations are as follows:

(1) Net profit attributable to holders of the company's common stock

	2020	2019
Net profit attributable to holders of the company's common stock	\$ 128,125	234,486

(2) The weighted average number of common shares outstanding

	2020	2019
Common shares outstanding on January 1	176,674	186,674
Impact of treasury stocks	(3,437)	(2,927)
The weighted average number of common shares outstanding on December 31	173,237	183,747

	2020	2019
(3) Basic earning per share (NT \$)	\$ 0.74	1.28

2. Diluted earnings per share

The diluted earnings per share for 2020 and 2019 are calculated on the basis of the net profit attributable to common equity holders of the company and the weighted average number of common stocks outstanding after adjusting the dilution effect of all potential common stocks. The relevant calculations are as follows :

(1) Net profit attributable to the company's ordinary equity holders (diluted)

	2020	2019
Net profit attributable to holders of the company's common stocks (Basically diluted)	\$ 128,125	234,486

(2) Weighted average number of shares outstanding (diluted) of common stocks (thousand shares)

	2020	2019
Weighted average number of shares outstanding (basic)	173,237	183,747
The impact of employee stock dividends	2	2
The weighted average number of common stocks	173,239	183,749

outstanding on December 31 (diluted)

(3) Diluted earnings per share (NT\$)

	2020	2019
Diluted earnings per share	<u>\$ 0.74</u>	<u>1.27</u>

(16) Revenue from customer contracts

1. Revenue breakdown

	2020	2019
Major regional markets :		
China and HK	\$ 242,426	463,853
Taiwan	195,530	179,948
United States	120,875	179,539
Korea	207,763	209,877
Other	<u>118,534</u>	<u>93,690</u>
Total	<u>\$ 885,128</u>	<u>1,126,907</u>

Main product/service line :

LED components and product manufacturing and sales	\$ 838,674	1,108,132
Construction	7,900	13,405
Other	<u>38,554</u>	<u>5,370</u>
Total	<u>\$ 885,128</u>	<u>1,126,907</u>

2. Contract balance

	2020.12.31	2019.12.31	2019.1.1
Contract assets- construction	<u>\$ 100,209</u>	<u>172,295</u>	<u>169,578</u>

Please refer to Note 6 (3) for the disclosure of accounts receivable and its impairment. Changes in contract assets are mainly due to the difference between the time when the company transfers goods or services to the customer to meet the performance obligations and the time when the customer pays.

(17) Remuneration of employees, directors and supervisors

According to the company's articles of association, the current year's pre-tax benefits shall be used to deduct the benefits before the distribution of employee compensation and directors' remuneration. After retaining the amount of accumulated losses, if there is a balance, the employee's remuneration shall not be less than 8% and the director and supervisors' remuneration shall not be more than 2%. The aforementioned employee remuneration which may be issued by stock or cash, includes employees from affiliated companies who meet certain conditions.

The company's remuneration for employees in 2020 and 2019 is NT\$15,592,000 and NT\$22,374,000 respectively and the remuneration for directors and supervisors is NT\$3,898,000 and NT\$5,594,000, which are based on the company's pre-tax net profit for each period. The amount before deduction of employees, directors and supervisors' remuneration multiplied by the number of employees' remuneration and directors' and supervisors' remuneration as stipulated in the company's articles of association is the basis for estimation, and is reported as operating costs or operating expenses for 2020

and 2019. Related information has been disclosed on Market Observation Post System.

The remuneration of employees, directors and supervisors allocated by the aforementioned board of directors' resolutions does not differ from the estimated amounts in the company's 2020 and 2019 individual financial reports.

(18) Non-operating income and expenses

1. Interest income

The detail of the company's interest income are as follows:

	2020	2019
Interest from bank deposits	<u>\$ 3,738</u>	<u>3,610</u>

2. Other income

The detail of the company's other income for 2020 and 2019 are as follows:

	2020	2019
Rental income	\$ 114	114
Dividend income	3,691	19,592
Government subsidy income	4,693	-
Other	16,699	6,986
	<u>\$ 25,197</u>	<u>26,692</u>

3. Other gains and losses

The detail of the company's other gains and losses for 2020 and 2019 are as follows:

	2020	2019
Net foreign currency exchange gains	\$ 58,979	25,318
Gains from disposal of fixed assets	143	-
Gains from disposal of investment	-	388
Other	(13)	(280)
	<u>\$ 59,109</u>	<u>25,426</u>

(19) Financial instruments

1. Credit risk

(1) Exposure of credit risk

The book value of financial assets and contract assets represents the maximum amount of credit risk.

(2) Concentration of credit risk

Since the company has a broad customer base and does not significantly concentrate on transactions with a single customer and the sales area is scattered, there is no significant concentration of the credit risk of accounts receivable. In order to reduce credit risk, the company also regularly and continuously evaluates the financial situation of customers, but usually does not require customers to provide collateral.

(3) Credit risk of accounts receivable

Please refer to Note 6 (3) for the credit risk exposure information of notes and accounts receivable.

Other financial assets measured at amortized cost include other receivables and certificates of deposit, etc. Please refer to Note 6 (8) for details of the impairment provision status on December 31, 2019 and 2020.

All the financial assets listed above are with low credit risk. Therefore, the amount of expected credit losses in twelve months is used to measure the allowance for loss during the period (for the explanation of how the company determines that the credit risk is low, please refer to Note 4 (6)).

2. Liquidity risk

The following table shows the contractual maturity dates of financial liabilities, excluding the effect of estimated interest.

	<u>Book value</u>	<u>Contractual cash flow</u>	<u>within 1 yr</u>	<u>1-2yr</u>	<u>above 2yrs</u>
December 31,2020					
Non-derivative financial liabilities					
Notes and Accounts Payable(Including related parties)	\$ 1,641,955	(1,641,955)	(1,641,955)	-	-
Lease liabilities (including non-current)	3,988	(4,044)	(2,256)	(1,788)	-
Other payables	50,136	(50,136)	(50,136)	-	-
	\$ 1,696,079	(1,696,135)	(1,694,347)	(1,788)	-
December 31,2019					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 8,176	(8,308)	(8,308)	-	-
Notes and Accounts Payable(Including related parties)	1,688,963	(1,688,963)	(1,688,963)	-	-
Lease liabilities (including non-current)	6,914	(7,060)	(2,763)	(2,509)	(1,788)
Other payables	51,394	(51,394)	(51,394)	-	-
	\$ 1,755,447	(1,755,725)	(1,751,428)	(2,509)	(1,788)

The company does not expect the cash flow analysis on the due date to occur significantly earlier, or the actual amount will be significantly different.

3. Exchange rate risk

(1) Exposure to exchange rate risk

The company's financial assets and liabilities exposed to significant foreign currency exchange rate risks are as follows:

2020.12.31				2019.12.31			
	Foreign currency	Exange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary item</u>							
RMB	\$	238	4.377	1,041	220	4.305	947
USD		13,391	28.480	381,375	17,345	29.980	520,003
HKD		21,912	3.673	80,483	34,128	3.849	131,359
<u>Financial liabilities</u>							
<u>Monetary item</u>							
RMB		181	4.377	794	-	-	-
USD		101	28.480	2,882	-	-	-
HKD		440,435	3.673	1,617,720	388,543	3.849	1,495,502

(2) Sensitivity analysis

The company's exchange rate risk mainly comes from cash denominated in foreign currencies, cash equivalents and accounts receivable, etc., resulting in foreign currency exchange gains and losses during conversion. In 2020 and 2019,

when the NTD depreciates 5% against the USD, RMB and HKD, under all other factors remain unchanged, the net profit before tax for 2020 and 2019 decreased by NT\$57,925,000 and NT\$42,166,000 respectively.

(3) Exchange gains and losses of monetary items

Due to the wide variety of functional currencies that the company uses, the exchange gain and loss information of monetary items is disclosed in summary. The foreign currency exchange gains (including realized and unrealized) for 2020 and 2019 are NT\$58,979 thousands and NT\$25,318 thousands respectively.

4. Interest rate analysis

The details of the company's financial assets and financial liabilities interest rate risk exposure are as follows:

	Book value	
	2020.12.31	2019.12.31
Fixed interest rate instruments :		
Financial assets	\$ 141,567	254,339
Variable interest rate instruments :		
Financial assets	\$ 468,167	280,110
Financial liabilities	-	(8,176)
	\$ 468,167	271,934

The company's financial assets and financial liabilities interest rate risk exposure are described in the liquidity risk management of this note.

The following sensitivity analysis is determined based on the interest rate risk of non-derivative instruments on the reporting date. For floating rate liabilities, the analysis method is based on the assumption that the amount of liabilities outstanding on the reporting date will be circulated throughout the year. The rate of change used by the company when reporting interest rates internally to management is an increase or decrease of 1% in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases or decreases by 1% and all other variables remain unchanged, the company's net profit before tax for 2020 and 2019 increases or decreases NT\$4,682 thousands and NT\$2,719 thousands respectively. The main reason is this company's demand deposits and long-term loans with variable interest rates.

5. Other price risk

If the price of equity securities changes on the reporting date (the two-period analysis adopts the same basis and assumes that other changing factors remain unchanged), the impact on the comprehensive profit and loss items is as follows:

Stock price on reporting day	2020		2019	
	Other comprehensive profit and loss after-tax amount	After-tax profit and loss	Other comprehensive profit and loss after-tax amount	After-tax profit and loss
Increase 5%	\$ 7,627	-	7,427	-
Decrease 5%	\$ (7,627)	-	(7,427)	-

6. Fair value information

(1) Types and fair value of financial instruments

The company's financial assets and liabilities measured at fair value through profit and loss, financial assets and liabilities for hedging, and financial assets measured at fair value through other comprehensive gains and losses are measured at fair value on the basis of repeatability. The book value and fair value of various types of financial assets and liabilities (including fair value

level information. For the book value of financial instruments that are not measured by fair value is a reasonable approximation of fair value and lease liabilities, there is no need to disclose fair value information according to regulations) are listed as follows:

2020.12.31						
		Fair value				
	Book value	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value through other comprehensive gains and losses						
Domestic and foreign listed (counter) stocks	\$ 155,424	155,424	-	-	155,424	
Domestic and foreign unlisted (counter) stocks	555,571	-	-	555,571	555,571	
Total	\$ 710,995	155,424	-	555,571	710,995	
Financial assets measured at amortized cost						
Cash and case equivalent	\$ 468,690	-	-	-	-	
Notes and accounts receivable (Including related parties)	323,192	-	-	-	-	
Other receivables-related parties	78,500	-	-	-	-	
Other financial assets- current	94,238	-	-	-	-	
Refundable deposits	1,760	-	-	-	-	
Total	\$ 1,677,375	-	-	-	-	
Financial liabilities measured at amortized cost						
Notes and accounts payable (Including related parties)	\$ 1,641,955	-	-	-	-	
Other payables	50,136	-	-	-	-	
Lease liabilities (including non-current)	3,988	-	-	-	-	
Total	\$ 1,696,079	-	-	-	-	

		2019.12.31				
		Fair value				
Book value		Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value through other comprehensive gains and losses						
Domestic and foreign listed (counter) stocks	\$	154,906	154,906	-	-	154,906

Domestic and foreign unlisted (counter) stocks	490,901	-	-	490,901	490,901
Total	<u>\$ 645,807</u>	<u>154,906</u>	<u>-</u>	<u>490,901</u>	<u>645,807</u>
Financial assets measured at amortized cost					
Cash and case equivalent	\$ 460,339	-	-	-	-
Notes and accounts receivable (Including related parties)	343,572	-	-	-	-
Other receivables- related parties	50,000	-	-	-	-
Other financial assets- current	92,239	-	-	-	-
Refundable deposits	1,854	-	-	-	-
Total	<u>\$ 948,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loan	\$ 8,176	-	-	-	-
Notes and accounts payable (Including related parties)	\$ 1,688,963				
Other payables	51,394	-	-	-	-
Lease liabilities (including non-current)	6,914	-	-	-	-
Total	<u>\$ 1,755,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Fair value evaluation technique for measuring financial instruments by fair value

If a financial instrument has a public quotation in the active market, the public quotation in the active market shall be the fair value. The market prices announced by major exchanges and central government bond over-the-counter trading centers judged to be popular bonds are the basis for the fair value of listed (counter) equity instruments and debt instruments with publicly quoted prices on the active market. If public quotations of financial instruments can be obtained from exchanges, brokers, underwriters, industry associations, pricing service agencies or competent authorities in a timely and frequent manner and the prices represent actual and frequent fair market transactions, then the financial instruments have an active market public quotation. If the above conditions are not met, the market is deemed inactive. In general, large bid-ask spreads, significant increase in bid-ask spreads, or very little trading volume are indicators of inactive markets.

If the financial instruments held by the company have an active market, their fair values are listed as follows according to their categories and attributes: When financial assets and liabilities measured at fair value through profit and loss are quoted in an active market, the market price is the fair value. Except for the above-mentioned financial instruments within active markets, the fair values of other financial instruments are obtained through evaluation techniques or with reference to the quotations from counterparties. The fair value obtained through evaluation technique can refer to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method, or other evaluation techniques, including the use of market information available on the

date of the consolidated balance sheet calculated.

If the financial instruments held by the company have an inactive market, their fair values are listed as follows according to their categories and attributes: Equity instruments without public quotation: If there is no market for reference, the evaluation method is used to estimate. The estimates and assumptions used are consistent with the information used by market participants as estimates and assumptions when pricing financial products. The information is available to the consolidated company.

The interest rate of bank borrowing is mostly close to the market interest rate, so the borrowing amount is taken as the fair value. Please refer to Note 6 (9) for the interest rate.

(3) Transfer between level 1 and level 2

No such transfer in 2020 and 2019.

(4) List of changes in level 3

	Measured at fair value through other comprehensive gains and losses
	Equity instruments without public quotation
January 1, 2020	\$ 490,901
Total profit or loss	
Recognized in other comprehensive income	64,670
December 31, 2020	<u>\$ 555,571</u>
January 1, 2019	\$ 338,238
Total profit or loss	
Recognized in other comprehensive income	152,663
December 31, 2019	<u>\$ 490,901</u>

The above-mentioned total profit or loss is reported in the series of "unrealized appraised profit (loss) of financial assets measured at fair value through other comprehensive gains and losses".

Among them, those related to assets still held as of December 31, 2019 and 2020 are as follows:

	2020	2019
Total profit or loss		
Recognized in other comprehensive income (Listed in "Unrealized Appraisal Profits and Losses of Financial Assets Measured at Fair Value through Other Comprehensive income")	<u>\$ 64,670</u>	<u>152,663</u>

(5) Quantitative information on the fair value measurement of significant unobservable inputs (level 3)

The company's fair value measurement is classified as the third level mainly for financial assets measured at fair value through other comprehensive gains and losses-equity instrument investment without an active market.

Most of the company's fair value is classified as the third level with only a single significant unobservable input and only equity instrument investments without an active market have multiple significant unobservable inputs. The significant unobservable input values of equity instrument investment without an active market are independent to each other, so there is no interrelationship.

The quantitative information list of significant unobservable input values is as follows:

Item	Evaluation technique	Significant unobservable input value	Significant unobservable input value and fair value relationship
Financial assets measured at fair value through other comprehensive gains and losses-equity instrument investment without an active market	Net asset value method	• Net asset value	Not applicable

(20) Financial risk management

1. Summary

The company is exposed to the following risks due to the use of financial instruments

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note expresses the company's risk information on the above-mentioned risks, the company's objectives, policies and procedures for measuring and managing risks. For further quantitative disclosure, please refer to the respective notes of the individual financial report.

2. Risk management structure

The company's financial division provides services for each business, analyzes the internal risk report of risk insurance according to the degree and breadth of risk, supervises and manages the financial risks related to the company's operations. The company establishes appropriate internal policies and systems to control credit risk and liquidity risk. As for market risks, we collect information from various parties, hoping to accurately predict the future trends of exchange rates, interest rates, etc., and use financial instruments to avoid risky risks when necessary to reduce the impact of these risks. The use of financial instruments is regulated by the company's relevant policies, and internal auditors continue to review compliance with policies and risk limits. The company does not trade financial instruments for speculative purposes.

3. Credit risk

Credit risk is the risk of the company's financial loss due to the inability of its customers or financial instrument counterparties to fulfill contractual obligations. It mainly comes from the company's accounts receivable from customers and securities investments.

(1) Accounts receivable and other receivables

The company's accounts receivable covers many customers, scattered in different industries and geographic regions, and there is no significant concentration of transactions with a single customer and the sales area is scattered, so the credit risk of accounts receivable is not likely to be significantly concentrated. The company has established a credit policy. According to this policy, before standard payment and shipping conditions are given, it is necessary to analyze the credit rating of each new customer individually before the transaction begins.

(2) Investment

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the company's financial division. Since the transaction partner and the performing party are all creditworthy banks and financial institutions, corporate organizations and government agencies with

investment level and above, there is no significant credit risk.

4. Liquidity risk

Liquidity risk refers to the risk that the company cannot deliver cash or other financial assets to pay off financial liabilities and fail to perform related obligations. The company manages and maintains sufficient cash and cash equivalents to support the company's operations and reduce the impact of cash flow fluctuations. The management of the company supervises the use of bank financing lines and ensures compliance with the terms of the loan contract.

5. Market risk

Market risk refers to the risk that changes in market prices, such as exchange rates, interest rates, and equity instrument prices, affect the company's earnings or the value of financial instruments held. The goal of market risk management is to control the risk of market risk within an acceptable range and minimize the risk.

(1) Exchange rate risk

The company is exposed to sales and purchase transactions that are not denominated in functional currencies, which causes the company to generate exchange rate fluctuation risks. The company's functional currency is mainly NTD. The main denomination currencies for these transactions are USD, RMB and HKD.

(2) Other market price risk

The company incurs equity price risk insurance due to equity securities and open fund investments in listed counters.

(21) Capital management

The company plans its capital management based on the characteristics of the current industry and the future development of the company, taking changes in the external environment and other factors into account, to ensure that the company has the necessary financial resources and operating plans to support the future working capital and capital expenditures, research and development expenses, debt repayment and dividend expenses, etc. The management authority uses an appropriate total debt/equity ratio to determine the company's optimal capital structure. In order to maintain a sound capital base, the company optimizes the balance of debt and equity so to increase shareholder compensation. The company's debt-to-equity ratio at the reporting date is as follows:

	2020.12.31	2019.12.31
Total liabilities	\$ 1,779,425	1,792,248
Total equity	2,699,256	2,731,434
Debt-to-equity ratio	66%	66%

As of December 31, 2019 and 2020, the company's capital management method has not changed significantly.

7. Related party transactions

(1) Name and relationship of related parties

The related parties involved in transactions with the company during the period covered in this individual financial report are as follows:

Name of related parties	Relationship with the company
AB Corp.	Affiliated company of the company
WanHui Enterprise Co., LTD.	Subsidiary of the company
KoBrite Taiwan Corporation	Subsidiary of the company

(2) Major transactions with related parties

1. Operating income

The company's major sales amounts to related parties are as follows:

	2020	2019
Subsidiaries	\$ 31,504	38,094
Affiliated company — AB Corp.	101,388	168,828
	<u>\$ 132,892</u>	<u>206,922</u>

The company's sales price to the above-mentioned related parties is based on the company's various product price lists, and the payment to the above-mentioned related parties is collected from 90 to 135 days after the month end.

2. Purchase

The company's purchase amount from related parties is as follows:

	2020	2019
Subsidiaries:		
WanHui Enterprise	\$ 615,560	959,343
KoBrite Taiwan Corporation	11,662	4,189
	<u>\$ 627,222</u>	<u>963,532</u>

The company's purchase terms and conditions from the above-mentioned related parties are from 85 days to 115 days of monthly settlement, and the price is no different from other manufacturers.

3. Amounts due from related parties

The details of the company's accounts receivable from related parties are as follows:

Account item	Type of related parties	2020.12.31	2019.12.31
Accounts receivable	Affiliated company — AB Corp.	<u>\$ 40,033</u>	<u>50,033</u>

4. Amounts due to related parties

The details of the company's accounts payable to related parties are as follows:

Account item	Type of related parties	2020.12.31	2019.12.31
Accounts payable	Subsidiary — WanHui Enterprise	\$ 1,617,627	1,667,486
Accounts payable	Subsidiary — KoBrite	1,565	1,629
		<u>\$ 1,619,192</u>	<u>1,669,115</u>

5. Loans to related parties

The actual expenditures of the company's capital loans and related parties are as follows:

	2020.12.31	2019.12.31
Subsidiary — KoBrite	<u>\$ 78,500</u>	<u>50,000</u>

The company's loans to related parties are based on the average interest rate of the company's short-term borrowings from financial institutions in the year of appropriation, and they are all unsecured loans. After evaluation, there is no need to mention impairment losses.

(3) Key management personnel transactions

Remuneration of key management personnel

	2020	2019
Short-term employee benefits	\$ 9,921	9,867
Post-employment benefits	91	69
	<u>\$ 10,012</u>	<u>9,936</u>

8. Pledged assets

Asset name	Subject to pledge	2020.12.31	2019.12.31
Other financial assets-current(pledged fixed deposit)	Contract bond and warranty deposit	<u>\$ 61,306</u>	<u>59,846</u>

9. Significant contingent liabilities and unrecognized contractual commitments: N/A**10. Loss from major disaster: N/A****11. Significant post-period matters: N/A****12. Other**

(1) The functions of employee benefits, depreciation and amortization expenses are summarized as follows:

Function Category	2020			2019		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit						
Salary expense	–	73, 902	73, 902	–	82, 862	82, 862
Labor and health insurance expense	–	5, 508	5, 508	–	5, 467	5, 467
Pension expense	–	2, 880	2, 880	–	2, 879	2, 879
Directors' remuneration	–	3, 499	3, 499	–	4, 629	4, 629
Other employee benefits	–	2, 274	2, 274	–	854	854
Depreciation expense	307	5, 011	5, 318	–	4, 203	4, 203
Amortization fee	–	259	259	–	287	287

	2020	2019
Number of employees	<u>81</u>	<u>79</u>
Number of directors who are not part-time employees	<u>4</u>	<u>3</u>
Average employee benefits	<u>\$ 1,098</u>	<u>1,211</u>
Average employee salary expense	<u>\$ 960</u>	<u>1,090</u>
Average employee salary expense adjustment situation	<u>(11.93)%</u>	<u>13.87%</u>
Supervisor's remuneration	<u>\$ 1,395</u>	<u>2,045</u>

The company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

In order to implement corporate governance, the company expects to make the remuneration of directors, supervisors and managers transparent, rational and institutionalized, and has formulated the "Directors, Supervisors and Managers Compensation Regulation". The formulation and revision of such regulation need to be reviewed by the Salary and Compensation Committee and resolved by the board of directors. The main specifications are as follows:

1. The remuneration of directors, independent directors and supervisors includes fixed transportation fees and fluctuated directors and supervisors' remuneration. Independent directors only receive transportation fees and do not participate in the distribution of directors and supervisors' remuneration.
2. Manager's salary includes fixed salary and variable salary. Limiting the annual increase rate of the fixed salary and the percentage of variable salary paid to managers of job grade over the current year's pre-tax benefits. Exceeding the limit requires special contributions to be reviewed by the compensation committee and reported to the board of directors for approval.
3. The Salary and Compensation Committee regularly reviews the reasonableness of the remuneration of directors, supervisors and managers and the appropriateness of the

proportion of the overall managerial salaries to the all.

- (2) The coronavirus pneumonia epidemic has not had a significant impact on the production and sales of the company and its subsidiaries. The company will continue to pay attention to the development of the incident and related impacts.

13. Disclosure of Matters in Notes

- (1) Information with regard to major transactions

In 2020, in accordance with the requirements of the securities issuer's financial report preparation standards, the relevant information about major transactions that should be disclosed again by the company is as follows:

1. Loans to others

Unit: NTD thousand

#	Companies that lend loans	Prospective borrowers	Accounting subjects	The highest amount of the current period	Ending balance	Actual lending amount	Interest rate range	Loan by nature (note 1)	Transaction amount with regard to business	Reasons for short-term financing	Allowance for loss amount	Collateral		Limited amount of loans for each entity (Note 2)	Limited amount of total loans (Note 3)
												Name	Value		
1	Bright LED electronics	KoBrite Taiwan	Other receivables	80,000	80,000	78,500	2%	2	-	Operating turnover	-	N	-	269,92	1,079,70
2	DongGuan BRTLED	Henan Bright Crystal	Other receivables	37,905 (RMB \$8,660)	37,905 (RMB \$8,660)	37,905 (RMB \$8,660)	2%	2	-	Operating turnover	-	N	-	210,14	840,58
3	DongGuan BRTLED	DongGuan KoBrite	Other receivables	26,262 (RMB \$6,000)	26,262 (RMB \$6,000)	26,262 (RMB \$6,000)	2%	2	-	Operating turnover	-	N	-	210,14	840,58

Note 1: 1. means have business contacts. 2. means has the need for short-term financing.

Note 2: The limit for total amount of lending loans does not exceed 10% of the net worth of the enterprise. Foreign companies in which the company directly or indirectly hold 100% of the voting shares are not subject to the 10% limit on loans to the company's net worth, but the respective limits for capital loans should still not exceed 100% of the company's net worth.

Note 3: The limit for total amount of capital loans shall not exceed 40% of the net worth of the enterprise. Foreign companies in which the company directly or indirectly hold 100% of the voting shares are not subject to the 40% limit on total amount of loans to the company's net worth, but the respective limits for capital loans should still not exceed 100% of the company's net worth.

Note 4: It is converted to NTD at the RMB exchange rate of 4.377 at the end of the period

2. Endorsement for others: N/A

3. The situation of holding marketable securities at the end of the period (excluding investment in subsidiaries, affiliates and joint ventures): Unit: thousand shares

Holding Company	Types and names of securities	Relationship with the securities issuer	Accounting items	End of term				Note
				Unit/share	Book value	Holding ratio	Fair value	
The company	Powertip	Corporate director	Financial assets measured at fair value through other comprehensive gains and losses-non-current	19,020	152,542	12%	Price per stock market =8.02	
"	DS	N?A	"	764	-	3%	Price per stock market= -	
"	MFA Financial Inc (MFO)	"	"	2.8	2,028	-%	Price per stock market= (US25.43)	
"	Seaspan Corp (SSWA)	"	"	1.2	854	-%	Price per stock market= (US25.00)	
The company	WK 9	Corporate director	Financial assets measured at fair value through other comprehensive gains and losses-non-current	15,380	342,008	15%	342,008	
"	Foxfortune Technology Ventures Ltd.	"	"	2,000	117,711	12%	117,711	
"	New fund capital	"	"	10,000	95,852	16%	95,852	
					<u>710,995</u>			

4. The cumulative amount of buying or selling the same securities reaches NTD\$300 million or more than 20% of the paid-in capital: N/A

5. Acquired real estate with an amount of NTD\$300 million or more than 20% of the paid-in capital: N/A

6. Disposal of real estate with an amount of NTD\$300 million or more than 20% of the paid-in capital: N/A

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

Import (sell) company	Trading partner Name	Relations	Transaction				Circumstances and reasons for trading condition which are different from regular trading		Notes and accounts receivable (paid)		Note
			Import (sell)	Amount	% of total import (sales)	Credit period	Price	Credit period	Balance	% of total notes and accounts receivable (paid)	
The company	AB Corp.	Affiliated company	(Sell)	(101,388)	(11) %	OA 135 days	Price agreement according to the company	No significant differences	40,03	12%	
The company	WanHui (HK)	Subsidiary	Import	615,56	89 %	Ajust according to its funding needs	Price agreement according to the company	No significant differences	(1,617,627)	(99)%	
WanHui (HK)	The company	100% owned parent company	(Sell)	(615,56)	(76) %	Ajust according to its funding needs	Price agreement according to the company	No significant differences	1,617,62	99%	
WanHui (HK)	DongGuan BRTLED	Subsidiary	Import	623,38	77 %	Ajust according to its funding needs	Price agreement according to the company	No significant differences	(849,176)	(92)%	
DongGuan BRTLED	WanHui (HK)	100% owned parent company	(Sell)	(623,38)	(62) %	Ajust according to its funding needs	Price agreement according to the company	No significant differences	849,17	84%	

8. Receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital:

Company with account receivables	Trading partner Name	Relations	Balance of accounts receivable from related parties	Turnover	Overdue amounts from related parties		Amounts receivable from related parties recovered after the period	allowance for loss amount	Note
					Amount	Processing			
WanHui (HK)	The company	100% owned parent company	1,617,627	0.37	Note 1	Note 1	95,761	-	
DongGuan BRTLED	WanHui (HK)	"	849,176	0.72	Note 1	Note 1	80,561	-	
KoBrite	WanHui (HK)	"	165,702	0.14	Note 1	Note 1	13,809	-	

Note 1: The difference between receivables and payables shall be collected based on fund requirements.

9. Engage in derivatives trading: N/A

(2) Re-investment business related information

The company's reinvestment business information for 2020 is as follows (excluding investee companies in China):

Investor Name	Investee Name	Region	Main business Items	Original investment amount Original investment amount		Hold at the end of period			Investee Current income	Recognized in this period Investment (Profit) Loss	Note
				End of period	End of last year	Shares (thousand)	Ratio	Book value			
The company	WanHui (HK)	HK	Processing business of LED indicators, displays and related components	524,673	524,673	11,460	100%	2,163,691	(32,013)	(32,013)	Subsidiary
"	KoBrite Corp.	Mauritius	Investment holding	1,082,499	1,082,499	8,783,545	93%	246,408	(30,512)	(28,267)	"
"	LiSheng Int'l	HK	PCB processing	139,297	139,297	35,740	60%	72,179	24,356	14,509	"
"	AB Corp.	US	Dealer	1,702	4,943	52	16%	7,369	(976)	(989)	adopting the equity method
"	WanShui	HK	Investment holding	61,910	61,910	3	23%	30,379	6,883	1,586	"
"	Powertip image	TW	Optical lens, lens design and production	64,966	64,966	5,820	19%	82,240	111,661	21,261	"
KoBrite	KoBrite Taiwan	TW	Investment holding	500,000	500,000	50,000	100%	85,530	(16,870)	recognized by KoBrite for investment gains and losses	"
KoBrite	Bright Crystal (HK)	HK	Investment holding	404,342	404,342	100,994	80%	206,073	(13,007)	recognized by KoBrite for investment gains and losses	"

(3) Information with regard to investment in China

1. Relevant information about reinvestment in China:

Name of invested company in China	Main business Items	Paid-in capital	Investment method	Cumulative remittances from Taiwan at the beginning of the period Amount (Note 1)	Exported or recovered in this period Investment amount		Cumulative remittances from Taiwan at the end of the period Amount (Note 1)	Current profit (loss) of the investee company	Direct or indirect investment Holding ratio	Recognized investment profit (loss) in this period (Note 3)	End of period investment Book value	Investment repatriated as of the current period Income (Note 1)
					Export (Note 1)	Amount (Note 1)						
DongGuan BRTLED	Manufacture and sell of LED component and its related products	HKD340,222	Indirect investment through WanHui (HK) (Note 4)	-	-	-	-	(23,002)	100%	(23,002)	2,101,449	-
DongGuan KoBrite	Production and processing of LED chips	US\$14,590	Indirect investment through KoBrite Corp.	149,121 (US\$4,974)	-	-	149,121 (US\$4,974)	(3,032)	93%	(2,809)	(148,016)	-
DongGuan Yi-Run	production and sale of	RMB\$41,001	Indirect investment	58,813	-	-	58,813 (HKD\$15,28)	6,883	23%	1,586	6,998	8,958

	other steel products		through WanHui (HK)	(HKD\$15,280)			0)					(HKD\$2,439)
DongGuan LiSheng PCB	PCB processing	HKD\$10,000	Indirect investment through LiSheng Int'l (Note 4)	3,279 (HKD\$852)	-	-	3,279 (HKD\$852)	23,943	60%	14,263	40,593	-
Henan Bright Crystal	Production and sales of high-quality crystals and LED lighting products, as well as import and export business	US\$16,200	Indirect investment through Bright Crystal (HK) (Note 4)	403,981 (US\$13,475)	-	-	403,981 (US\$13,475)	(12,995)	74%	(9,622)	190,974	-

2. Limits for reinvestment in China:

Cumulative investment amount remitted from Taiwan to China at the end of the period	Approved investment amount by the Overseas Chinese and Foreign Investment Commission (Note 1)	According to the regulations of the Overseas Chinese and Foreign Investment Commission Investment quota in China
615,194 (US\$18,449 及 HKD16,132)	2,004,118 (US\$19,002 及 HKD398,296)	Note 2

Note 1: It is converted into NTD at the end of the period using the USD exchange rate of 28.48, HKD exchange rate of 3.673 and RMB 4.377.

Note 2: The company has been approved by Bureau of Industry of the Ministry of Economic Affairs to comply with the operating headquarters certification letter, so there is no limit on the amount of investment in China.

Note 3: The investment gains and losses of the current period are calculated based on the financial statements of the investee company verified by accountants.

Note 4: Existing reinvestment companies in the third region use their own funds and machinery and equipment for investment.

3. Major transactions:

For direct or indirect major transactions of the company's investee companies in China in 2020, please refer to the description of "Information on Major Transactions"

(4) Information with regard to investment in China

Unit: shares

Shares Name of major shareholders	Number of shares held	Holding ratio
Yi-Ruan investment company	31, 859, 212	17. 53%
WanHui investment company	27, 378, 397	15. 07%
Tseng-Jen Liaw	21, 028, 417	11. 57%

Note: (1) The information of major shareholders in this table is based on the last business day at the end of each quarter by the company. The total number of common shares and special shares, which sum up to 5% or more, of the company that have been delivered without physical registration (including treasury shares) is calculated by the company. 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 due to different calculation bases.

(2) If above information belongs to the shareholder's delivery of shares to the trust, it is disclosed in individual accounts by the trustor who opened the trust account for the trustee. As for the shareholders' declaration of insider's shareholding in accordance with the Securities and Exchange Act, their shareholding includes their own shareholding plus the shares delivered to the trust and the right to use the trust

property. For information on insider's shareholding declaration, please refer to Market observation post system.

- (3) As of December 31, 2020, the company has bought back total of 10,000 thousands of treasury shares, which is approximately 5.50% of the company's common stock for which the company has completed payment without physical registration (including treasury stocks). Detailed information please refers to 6(14).

14. Department information

Please refers to 2020 consolidated financial report.