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HannsTouch Solution Inc.

2020 Annual Report

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- **Market Observation Post System of Taiwan Stock Exchange Corporation:**
<http://mops.twse.com.tw>
- **Company website: <http://www.hannstouch.com>**

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This is a translation of the 2020 Annual Report of HannsTouch solution Inc..

The translation is for Reference only. If there is any discrepancy between the english version and chinese version, The chinese version shall prevail

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HannsTouch Solution Inc.

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One. Report to Shareholders

Ladies and gentlemen:

2020 continued to be a year of transformation for HannsTouch Solution Incorporated. We proactively sought breakthroughs by advancing the process yield rate and improving the uptime of production lines despite the impacts from COVID-19. We expedited the development of high-end technologies and were devoted to improving the market share of new products. With the macro strategy adjusted, we managed to reinforce the control over the internal cost, stabilize the throughput and revenue, optimize the overall financial structure and solvency, and continue to optimize the operational efficacy while moving towards smart manufacturing, technological rotting, and diversified transformation.

Since it was first established, with “being the best partner in the smart life of mankind and becoming a world-class outstanding company” as the vision, HannsTouch has placed its focus on touch application and TFT backplane solutions. It is a professional manufacturer of AMOLED high-end touch panel sensors and has taken “becoming a long-term trust-worthy partner of the global touch industry” as its important mission.

Under the efforts of everyone, HannsTouch was rated by the CommonWealth Magazine as one of the “100 Fastest Growing Companies” and “Top 10 Fastest Growing Profits” among all the small-to-medium-sized enterprises in Taiwan in 2020. In 2021, the growth continued towards diversification of customers and expansion of the fields where products are applicable in order to decentralize risks and to accommodate seasonal variations while shifting towards high value-added fields and creating the maximum operational efficacy.

In 2021, new flagship mobile phones introduced by big international grands were primarily 5G devices, confirming the arrival of a 5G mobile phone era and it is expected that the replacement with 5G phones makes additional growths of OCTA products possible. The growing stream in the market share of AMOLED in mobile phones will remain unchanged and become the mainstream in the use of displays of international big brands. Besides Rigid AMOLED to continue to secure its market share of mid-to-high-end mobile phones, IT products such as tablets and notebooks will be the focuses, too, in order to further enhance the penetration of IT products and to further promote the scope of application of AMOLED products.

HannsTouch, being technology-oriented, develops a diversified categories of product applications and types of customers so that throughput allocation may be optimized; maximum output efficacy may be created; and corporate sales and operational performance may be superior. We are devoted to the enhancement of the value of the core business and continue to develop high-end HIAA, full screens with a high screen-to-body ratio, and TDDI for the sake of satisfying the needs of AMOLED manufactures of different generation lines. End products are applicable for major mobile brand manufacturers to make the Company a leading technical

supplier of touch products.

Besides the mainstream touch panel sensors, for the application of the array technology, the niche product market has been the target. HannsTouch completed related technologies and products of electronic self label (ESL) back panels that is has developed for years and came up with the high electron mobility technology to go with the relatively low-photomask process adopted in the industry. Starting from the first quarter 2021, it has been qualified by primary customers one after another and will begin to contribute to the operation from the second quarter onwards. Impacts from the pandemic, however, expedited the willingness and speed of customers to get the replacement. It is expected that the demand for ESL back panels will continue to climb.

In addition, for the time being, generation 5.5 production line is also in line with the Company's long-term developmental strategy, production of thin film transistor (TFT) back panels has become locally in order to satisfy the needs of new customers. We have further developed flexible TFT back panels and optical fingerprint sensors in an effort to increase the market shares for ESF, industrial engineering, car-borne, and other professional display touch applications.

Hanns House, the reinvested business that belongs to Glorystone Inc. was one of the quarantine hotels in response to the government's policy while the world fights against the pandemic in honor of its corporate social responsibilities. Meanwhile, despite the sluggish global economy and tourism industry, with joint efforts throughout the Company, profits were fulfilled for the year. In the future, based on the lodging business, services will be expanded to include dining and new retails for a whole-day living circle and for increased growths in momentum.

Employees, customers, and business partners have always been important stakeholders of HannsTouch. We constantly advance care for employees and customer service and are proactively giving back to society through actual action. While pursuing revenue and profits, we are paying careful attention to environmental sustainability issues and living up to our green commitment towards the economy and a sustainable environment. It is our hope that the operational performance can continue to be enhanced for 2021 and that we can jointly render outstanding results with customers and share the operational accomplishments with shareholders.

Finally, I would like to wish each of you good health and the best in all of your endeavors and prosperous business.

Chairman WeiHsin Ma

I. 2020 business report

(I) Outcome of the business plan:

HannsTouch is a manufacturer of high-end AMOLED touch sensors dedicated to the development of new production technology, strengthening of cost control capability, enhancement of production efficiency and management of delivery, product quality and yield, thus providing customers with the best technology and services. In the first half of 2020, for the overall mobile phone market, due to the COVID-19 pandemic, which caused a shortage in material supplies and production labor in factories, the launching of new models was postponed and the utilization of production capacity dropped. The mobile phone market has been in decline, causing the demand for AMOLED touch sensors to fall as well. Since the third quarter of 2020, the shipments of HannsTouch have been climbing up. The shipments in the fourth quarter have returned to normal. For 2020, due to the pandemic, the year-on-year comparison for shipments and revenue dropped by 30%.

International brands have consistently introduced the technology of AMOLED panels into their products. The trend of high-end mobile phones remains unchanged. The overall market share of AMOLED panel continues to grow. As the market demand continues to increase, the Company shall consistently refine its production yield, improve the utilization rate, and develop more advanced technologies to satisfy the future needs of customers.

The Company shall further enhance the operating performance and the change of seasonal demands, maintain a high utilization rate of equipment so as to fully make use of the functions of new equipment, continue to develop new manufacturing and product technologies and build new product platforms to increase operational benefits to realize the long-term profitability goals. In the first quarter of 2021, HannsTouch has successfully integrated its backplane for electronic shelf label (ESL) display with the design-in of many new customer products and has since embarked on the experimental stage. In the second quarter, it is expected to increase the operational contribution. Hopefully, in 2021, it can continue to increase the operating performance when the pandemic is under control. Further, under a stable and ethical business foundation, the Company can create good results with our customers and share the fruit of the business performance with shareholders.

(II) Revenues, expenses, and profitability analysis:

Assessment \ Year		2019	2020
Financial position (%)	Debt to assets ratio	43.43	44.29
	Long-term capital to property, plants and equipment	104.02	142.67
Solvency (%)	Current ratio	95.26	294.16
	Quick ratio	81.64	283.52
Profitability (%)	Return on assets	6.79	2.48
	Return on shareholders' equity	11.74	3.62
	Net profit margin	23.12	11.34
	Earnings per share (NTD)	1.35	0.43

In 2020, the Company mainly engaged in the development, research, manufacturing and sales of touch sensors. The net operating revenue for 2020 amounted to NT\$3,086,399 thousand. The operating costs amounted to NT\$2,375,024 thousand. The gross profit amounted to NT\$711,375 thousand. The gross profit margin amounted to 23%. The operating profit amounted to NT\$418,842 thousand. The operating profit margin amounted to 14%. The total comprehensive income amounted to NT\$353,289 thousand.

(III) Research and development:

HannsTouch Solution possesses the generation 5.5 OCTA touch sensor (1300x1500mm) manufacturing plant that can fabricate products that come in different sizes, such as smartwatches, smartphones, notepads. In the meantime, via flexible designing and production, it can satisfy the demands of different production lines of multiple generation AMOLED plants, creating optimal benefit. The main sizes of touch-control products manufactured correspond to the high-end smartphones and

wearable products with AMOLED. It contains characteristics such as narrow linewidth, narrow bezel, high transmittance. The Company shall continue to develop advanced Hole in Active Area (HIAA), full-screen display smartphone and Touch and Display Driver Integration (TDDI) and other technical applications on smartphones, collaborating with main customers in satisfying their requirements and developing touch-control products with low-impedance

Apart from the main touch-control glass sensing products, the Company primarily targets the niche product market for application technology and develops the relevant technologies and products for the backplane for ESL display with thin-film transistors (TFT). For technology-wise, the Company has successfully developed the high electron mobility technology, which can effectively improve TFTs' functions and is beneficial to the design of high-resolution products and give rise to a low energy consumption advantage. For products wise, the Company makes good use of its packing technology and manages to launch backplane for ESL display, demonstrating the cutting rate advantage (1300x1500mm) of generation 5.5.

For industrial touch sensors not under the OCTA product line, the Company has developed several types of industrial computer application touch-control products. The mass production of this series of products has been quite stable. Moreover, the Company is making plans to venture into high-end aerial touch-control application products, which will continue to be tested by the end customers, so as to increase the value-add of the products.

Further, under the foundation of highly automated and precise equipment, the Company has developed a new fabrication technology for flexible TFTs and backplane for ESL display in 2020, building a new generation of flexible products and technology platforms, thus increasing the diversified development of products.

II. Summary of 2021 business plan

Looking ahead, in 2021, with the ubiquity of vaccination, the COVID-19 pandemic will be under control. Compounded by the new 5G smartphone launches of many international brands that are foreseen to drive up purchases of new phones, the sales of OCTA products are expected to have much room for growth. Also, for the ESL market, due to the pandemic driving the will and upping the speed of end customers changing their equipment, the demand for a backplane for ESL displays will continue to grow. The Company shall focus on actively making preparations to embrace the coming recovery.

In 2020, international brands were turning to set 5G smartphones as their signature products, thus fortifying the 5G smartphone era. In 2021, the trend of the increasing market share of smartphones using AMOLED remains unchanged. Apart from solidifying its position in the medium to high-end smartphone market, Rigid AMOLED is also heading toward application in tablet and notebook, increasing AMOLED's penetration rate in the IT products and further enhancing the scope of product application of AMOLED.

HannsTouch Solution has been deepening its effort in ESL display products for many years and thus, is able to secure customer orders. Via reducing production capacity that is subject to the cyclical effect in seasonal demand fluctuation, which in turn will affect the utilization rate, it is expected that the sales percentage of subsequent newly added product platform can enable the optimization of production capacity and full utilization of equipment capacity, hence improving the Company's sales, operating performance and profitability.

Further, for the application market of industrial and automobile professional display and touch-control solutions, the Company has been working closely with customers in its endeavor in technology development. In 2020, its long-term revenue growth was evident, and the development diversity is promising. HannsTouch Solution shall consistently deepen its roots in technology and diversity developments.

(I) Operational guidelines:

1. The main product line of HannsTouch Solution comprises high-end AMOLED touch sensors. The Company shall continue to upgrade its products and technical specifications. Via the expansion of production capacity, the Company shall actively secure new market share. Further, via its advantage in high precision equipment, the Company shall develop new production and product technologies, build new product lines, increase and improve product application combinations, thus increasing the overall operating performance and the return on equity.

2. The Company has consistently developed the technologies and market of touch sensors and display products in professional sectors to enhance the technological value-add and business diversity of the Company.
3. With fulfilling customer satisfaction as its management philosophy, the Company provides a complete series of services and technologies for touch-control products, from development and design to fabrication, so as to cater to customer needs in production flexibility, steady supply, diversity in product series and cost competitiveness, thus enhancing the Company's competitive advantage in production.
4. Using TFT backplane technology as the new technology platform, the Company develops related new products, such as the backplane for ESL display and optical fingerprint on display, providing customers with more comprehensive solutions.
5. Building a business with sustainable and steady development for shareholders.

(II) Key production/sales policies:

Apart from supplying OCTA products to the existing AMOLED customers, the generation 5.5 production line also coordinates with the Company's long-term development strategy in partially manufacturing TFT backplane products, satisfying the needs of new customers. In 2021, the Company will head toward diversifying customer base and developing product application so as to mitigate risks, adjust for seasonal demand change, stabilize revenue stream and continue to expand market share in major customers, as well as consistently developing the scope of new product applications.

Meanwhile, to cater to the demand for new product lines, the Company will evaluate the additional purchase of bottleneck equipment, expand production capacity, provide technologies, products and services for new application fields, develop the market needs in professional sectors and satisfy customer needs.

III. Future strategies, impacts of the competitive environment, regulatory environment, and the overall business environment

(I) Competitive advantages of HannsTouch Solution:

1. High quality automated professional production lines

The Company is one of the few businesses globally that has fully automated production plants for manufacturing touch sensors. The building design of the production plants took into consideration accommodating the equipment capacity for fabricating high-end TFT and automated production lines so as to satisfy customer needs for high yield and quality in AMOLED touch sensors and TFT backplane, thus guaranteeing a reliable and steady supply to customers.

To cater to the rapid demand change in technology and markets, the Company shall introduce AI in the production scheduling and quality enhancement systems, thus increasing the management capacity of production lines. Using a production model that can fabricate diversified products in small quantities, the Company is able to increase the customers' capability in responding to market change.

2. Competitive advantage in cost reduction

Manufacturing high-quality products and constantly improving yield are fundamental commitments of HannsTouch Solution to its customers. Apart from consistently optimizing the parameters of production allocation and materials, the Company also expand its production capacity to further the production efficiency and increase the overall competitive advantage.

In addition to the touch-control technology, the Company also seeks to develop the fabrication technology of TFT components superior to other foundries, allowing new product platforms to gain more competitive advantages and secure new business opportunities in the application market.

The Company shall develop relationships with suppliers of new materials to ensure diversification in high quality and steady supplies, reduce production cost and create better profitability. With more experience and capabilities in maintaining its own production facilities, the Company is able to achieve proper cost control.

3. High value-adding technology platform

Apart from generation 5.5 glass backplane with a thickness of 0.25mm, the Company has also

managed to make use of narrow linewidth, narrow bezel, high transmittance technology for mass-producing OCTA, realizing the application of OCTA for high-end products. Currently, the Company is also providing customers with various verification platforms for new product technologies, assisting the technology development of verification to satisfy the need for product diversification, product specifications of different customers, and the glass of different generations to provide further production technology services.

Meanwhile, under the foundation of highly automated and precise equipment, in 2021, with the fabrication technology and product platform of TFT components, the Company shall continue to develop the related flexible product technology platform, widening the product application.

4. High-efficiency operation management

The Company has gained years of experience working with many international mega brands and possesses the most professional fabrication technology and manufacturing management capabilities. The Company has been consistently engaging in quality improvement. Apart from complying with ISO9001 regulations, the factory has implemented fully automated functional testing in a scrupulous manner and shall continue to add in more testing equipment with functions strengthened so as to ensure the utmost quality for the fabrication of products. The Company will continue to strengthen smart management, preventive management, energy conservation, and carbon reduction in the future. Via a consistent effort to optimize production efficiency and cost reduction and introduce AI smart production and management system software and hardware in 2020, the overall operation efficiency is further improved.

(II) Future business development strategy:

1. Operating model

With a steady customer group and demand, HannsTouch Solution is able to put in place equipment capacity that can cater to product lines of generation 4.5, 5.5 and 6, striving to become a manufacturer of OCTA touch sensors that caters to professional sectors and the sole business that provides AMOLED production lines of multiple generations to customers, thus securing a key role in the supply chain of OCTA market.

To lower the cyclical effect in seasonal demand fluctuation of the consumer smartphone market, increase operating performance and build a steady long-term profitability profile, under the foundation of highly automated and precise equipment, the Company shall develop new TFT components and their fabrication technology and build various new product platforms to add new value to customers.

Further, via internal and external resources and collaboration, the Company widens product applications, expands the industrial and automobile application markets, develops new application scopes for professional displays, provides more diversified technologies, products and services, heads toward providing comprehensive solutions, and becomes a supplier of professional sensors and display solutions, thus improving the internal value-add and adding value to customers. Meanwhile, the Company invested in Glorystone Inc. to enter the hospitality industry. Through the new business model developed closer to consumers, it answers to each of the other sectors that the Group is in for defining a more valuable ecology.

2, Technology development

Apart from leading in the mass production of 0.25mm slimmed glass substrate and production capability of refined line width and narrow bezel products, HannsTouch Solution shall continue to develop advanced HIAA technology and full-screen display smartphones. TDDI and other smartphone technology applications have passed the customers' verification and gone into mass production. The end product applications are adopted by the world's main smartphone brands, becoming the leading supplier in touch-control products. For the backplane market for electronic ink label, the Company is on par with its industry counterparts in using a lower photomask fabrication method, and the products have passed the customers' verification. Thus, the market share is expected to increase gradually.

Further, under the foundation of highly automated and precise equipment, the Company has developed new fabrication technology and product platform for TFT components. In 2021, the Company shall use the product platform and further develop the backplane for flexible TFT components and optical fingerprint on display sensors, adding value to products. In the future, the Company shall coordinate the aforementioned technologies to further develop new optical and medical sensor technology. The

Company shall also deepen its research in the technological fields and diversified development to servicing a more diversified clientele.

3. Service model

To cater to product development diversification, the Company shall adjust its customer service system to strengthen customer relationships. In addition to shortening the delivery period and enhancing yield, the Company shall also focus on sales and marketing strategy, crystallize the direction of product development, and searching for new niche markets to satisfy new operation strategy development. Further, the Company shall also expand the scope of technological service, determine the direction of technology development, add new value to the product platform for customers, foster a more steadfast and trusting relationship with customers so as to increase the long-term operating performance of the Company.

The Company will continue to optimize the product development process to cater to the needs for the diversification of product platforms, shorten the time for product development and delivery, satisfy the needs of customers in shortening the time for a fast-paced cyclical product launch and the design verification of end product brands, provide a comprehensive production profile and secure key parameters of production and products for quick retrospective tracing and feedback.

To cater to product diversification, the Company shall continue to strengthen the training of professional personnel in product management and customer service to improve the product design development, mass production and after-sales service, expedite the response to customers and execution of solutions to problems, establish timely reporting mechanism, build a trusting and interactive rapport, understand the production problem facing customers and provide timely and necessary services. While providing products and services to customers, via the collaborative processes, the Company can consistently improve its own capabilities and play key roles in the supply chain, thus becoming a trusting business partner that can gain customers' approval.

Two. Company Profile

1. Date of establishment: September 18, 1999

2. Company history:

- September 1999 : The Company was founded at 9F, No. 108, Chenggong Road, Hukou Township, Hsinchu County, with an initial capital of NT\$200 million.
- October 1999 : Signed a technology transfer contract with IBM Japan for generation 3.0 color filter.
- December 1999 : Obtained approval letter from the Industrial Development Bureau, Ministry of Economic Affairs, to postpone public offering.
Obtained approval letter from Hsinchu Government for plant construction.
- March 2000 : Raised additional share capital to a total of NT\$798,800,000.
- April 2000 : Raised additional share capital to a total of NT\$1,600,000,000.
Signed ISO counseling contract with Kind Consulting Company.
- May 2000 : Obtained approval letter from the Industrial Development Bureau, Ministry of Economic Affairs, for conformity with standards as a key technology business.
- October 2000 : Raised additional share capital to a total of NT\$3,600,000,000.
- November 2000 : Mass production ceremony for generation 3.0 production line.
Passed certification for ISO9002.
- December 2000 : Received investment from HannStar Display.
- January 2001 : Obtained Facility Registration Certificate from the Ministry of Economic Affairs.
- March 2001 : Received investment from Dai Nippon Printing (DNP).
- April 2001 : Received approval from Securities and Futures Institute for public offering on April 6, 2001.
- August 2001 : Generation 3.5 CF commenced mass production.
- November 2001 : "Advanced Color Filter Photo Spacer Development Project for 17-inch TFT-LCD and Above" received NT\$17.65 million of Dominant New Product Development Subsidy from the Industrial Development Bureau, Ministry of Economic Affairs.
- December 2001 : Raised additional share capital to a total of NT\$4,000,000,000.
DNP made additional investments and held more than 10% of the Company's shares.
Passed certification for ISO14000.
- January 2002 : The Company was listed on the Emerging Stock Market on January 2, 2002.
- March 2002 : Passed preliminary review of the Industrial Development Bureau, Ministry of Economic Affairs, for eligibility as a technology business.
- May 2002 : Applied for listing with Taiwan Stock Exchange Corporation.
- September 2002 : The Company's shares were listed for trading on September 27, 2002.
- December 2002 : Generation 4.0 commenced mass production.
- February 2002 : Founded Sintek Photronic Corp.
- March 2003 : Issued US\$50 million of offshore convertible bonds.
- July 2003 : Named outstanding importer/exporter for 2002.
Capitalized earnings and capital reserves, increasing paid-up capital to NT\$5,068,966,000.
- March 2004 : Issued new shares for the exercising of convertible bonds, increasing paid-up capital to NT\$6,151,943,000.
- April 2004 : Issued US\$120 million of offshore convertible bonds.
- June 2004 : Signed an NT\$2-billion syndicated loan agreement lead-arranged by Taishin Bank.
- April 2005 : Issued new shares for the exercising of convertible bonds, increasing paid-up capital to NT\$7,176,638,000.
- May 2005 : Subscribed to a 36% shareholding in Helix Technology Inc. through private placement.
- September 2005 : Acquired and re-organized Sintek Photronic Corp. into the Company's Tainan Branch. Paid-up capital increased to NT\$8,449,295,000.
- October 2005 : Invested into a Mainland-based backlight module through a third location.
- November 2005 : Capitalized earnings and capital reserves, increasing paid-up capital to NT\$9,276,939,000.
- June 2006 : Elected new board members, during which Hua Li Investment acquired 4 director seats, Li Yi Investment acquired 1 director seat and 2 independent director seats, and

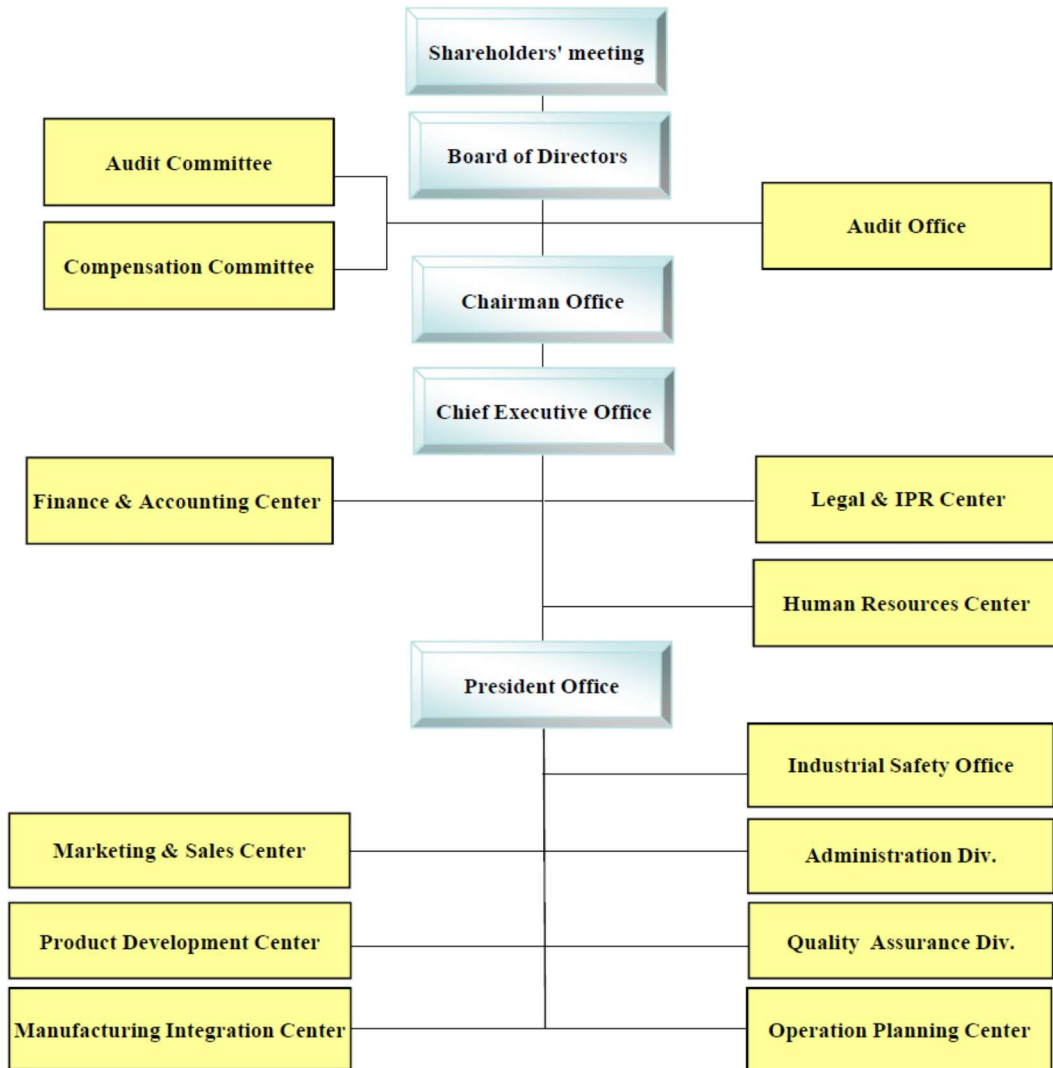
- HannStar Display acquired 1 supervisor seat.
DNP (a 10% major shareholder) reported share transfer.
- September 2006 : Ho Tung transferred shares of HannsTouch to Hua Li Investment, and sold Hua Li Investment to FAE Holdings (B.V.I.) Limited.
- November 2006 : Hua Li Investment reappointed representative at the Company's board of directors.
- December 2007 : HannStar Display acquired 100% ownership in Hua Li Investment and reappointed representative at the Company's board of directors, making HannStar Display the largest shareholder of the Company.
- Passed certifications for ISO14000, ISO 9001, and OHSAS 18001.
- April 2008 : Sold Hukou Plant buildings and machinery to Chunghwa Picture Tubes Ltd.
- June 2008 : Reduced capital against cumulative losses NT\$3,154,159,000.
- January 2009 : Invested into the production of solar cell modules and touch panels.
- June 2009 : After re-election of directors and supervisors on June 16, 2009, HannStar Display gained control over the Company.
- July 2009 : Obtained certification for Windows 7.
- October 2009 : Capitalized earnings and capital reserves, increasing paid-up capital to NT\$6,635,897,000.
- December 2009 : Issued new shares for cash, increasing paid-up capital to NT\$8,435,897,000.
- January-October 2010 : Employee warrants were exercised for new shares, increasing paid-up capital to NT\$8,785,878,000.
- January-July 2011 : Employee warrants were exercised for new shares, increasing paid-up capital to NT\$8,839,508,000.
- February 2011 : Signed technology cooperation and supply agreement for LTPS production line with Samsung Mobile Display.
- June 2013 : Re-election of directors on June 18, 2012 resulted in a change of Chairman and more than one-third of board members, causing HannStar Display Corporation to lose control over the Company.
- August 2013 : Signed cooperative agreement with WINTEK Corporation.
- February 2014 : Sold HannsTouch Solution's first touch sensor plant in Southern Taiwan Science Park, along with equipment and other touch control facilities, to HannStar Display Corporation.
- August 2014 : Issued 281,690,000 common shares for cash through private placement, increasing paid-up capital to NT\$11,656,408,000.
- August 2015 : Reduced capital against cumulative losses for NT\$4,286,923,000, decreasing paid-up capital to NT\$7,369,485,000.
- September 2015 : Made 2015 first domestic private placement of unsecured ordinary corporate bonds for NT\$1.8 billion.
- November 2016 : Made 2016 first domestic private placement of unsecured ordinary corporate bonds for NT\$1.8 billion.
Made early recall and retired NT\$1.8 billion of outstanding unsecured corporate bonds (2015-1).
- January 2017 : Completed a short-form merger with Prancing Horse One Investment Co., Ltd., in which the Company was the surviving entity and Prancing Horse One Investment Co., Ltd. was the dissolving entity.
- November 2017 : Made 2017 first domestic private placement of unsecured ordinary corporate bonds for NT\$1.8 billion.
Made early recall and retired NT\$1.8 billion of outstanding domestic privately placed unsecured corporate bonds (2016-1).
- November 2018 : The Company signed a real estate leasing agreement with Glorystone Inc. for operational use for a tenor of 15 years.
- April 2019 : Subsidiary - Golden Apple Investment Corporation announced its acquisition of 100% share ownership in Chain Hotel Co., Ltd.
The Company signed a real estate leasing agreement with JustCo (Taiwan Onshore) Ltd.
- October 2019 : Made early recall and retired NT\$300 million of outstanding domestic privately placed unsecured corporate bonds (2017-Tranche A).
- October 2019 : Issued 70,000,000 common shares for cash through public offering, and received acknowledgment from Financial Supervisory Commission on July 8, 2019 followed by its approval on August 26, 2019 to extend the payment deadline. Paid-up capital

- was increased to NT\$8,069,485,000.
- November 2019 : Board of directors of subsidiary - Chaiin Hotel Co., Ltd. resolved a short-form merger with Chaiin Finders Hotel Co., Ltd. and Chaiin Goodmore Hotel Co., Ltd.
- May 2020 : Subsidiary - Golden Apple Investment Corporation sold 8,950,500 common shares of Chaiin Hotel co., Ltd. (representing an 81% ownership interest) to Chu Yi Investment Co., Ltd., and retained a 19% ownership interest.
- July 2020 : Subsidiary - Glorystone Inc. sold 100% of common shares held in Main Lu Catering Co., Ltd. to Hua Li Investment Corp.
- August 2020 : The 178,091,770 common shares privately placed in 2014 were offered publicly and made available for trading on August 11, 2020.
- August 2020 : Made early recall and retired NT\$600 million of outstanding domestic privately placed unsecured corporate bonds (2017-Tranche B).
- November 2020 : Sold 1F-3F of HannsTouch Solution's plant in Southern Taiwan Science Park to HannStar Display Corporation.

Three. Corporate Governance Report

1. Organization

(1) Organization structure:



(2) Responsibilities of main departments:

Department	Responsibilities
Audit Office	<ul style="list-style-type: none"> ● Annual audit planning. ● Establishment and amendment of the internal control system and implementation rules thereof.
Legal & IPR Center	<ul style="list-style-type: none"> ● Support for legal issues and negotiation/resolution of disputes. ● Matters concerning trademarks and patents.
Finance & Accounting Center	<ul style="list-style-type: none"> ● Analysis and management of financial risks, capital planning, funding, and investment management. ● Bookkeeping, tax-related affairs, and financial statement analysis. ● Establishment and planning of accounting system, and supervision of accounting affairs. ● Management of share-related affairs and investor relations.
Taipei Administrative Center	<ul style="list-style-type: none"> ● Organizational Development and Talent Management ● Regulatory compliance relevant to human resources and corporate governance projects ● Manipulation and implementation of administrative affairs and systematic planning of Taipei Office ● Property management of Dian Shih Building
Human Resources Center	<ul style="list-style-type: none"> ● Planning of human resources strategy and system. ● Human resources management and organizational development.
Industrial Safety Office	<ul style="list-style-type: none"> ● Planning and execution of environment, health, and safety tasks, and execution of work safety precautions. ● Planning and execution of worker health checkups and health management. ● Execution of occupational hazard prevention, environmental protection, and pollution prevention plans.
Administration Division	<ul style="list-style-type: none"> ● Establishment of human resources system and ongoing enhancement to the professional capacity of the workforce. ● Sundry service, general affairs, and employee management. ● Execution of administrative tasks and planning of related systems.
Quality Assurance Division	<ul style="list-style-type: none"> ● Product quality check and control, reliability test. ● Establishment and maintenance of a quality system, and confirmation and creation of quality documents.
Operation Planning Center	<ul style="list-style-type: none"> ● Establishment and management of logistics system. ● Management of procurement, logistics, production, sale, warehousing, and transportation related processes. ● Digitalized operations and systems management. ● Network and information security management.
Marketing and Sales Center	<ul style="list-style-type: none"> ● Sales target forecast and proposal of business plans. ● Product price negotiation, quotation, confirmation of delivery time, and customer development. ● Creation of customer profile.
Product Development Center	<ul style="list-style-type: none"> ● Evaluation, design, and proof of concept for new products. ● Evaluation and introduction of new technologies, production procedures, and materials. ● Introduction of new products and yield improvement.
Manufacturing Integration Center	<ul style="list-style-type: none"> ● Production management and yield/capacity enhancement. ● Development, planning, and integration of computer systems within the Company. ● Production efficiency improvement and tracking, and standardization and rationalization of production procedures. ● Integration, evaluation, and optimal allocation of production resources, and creation and maintenance of cost profiles for various products.

2. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches

(1) Directors' background:

April 19, 2021; unit: thousand shares; %

Title	Nationality of place of registration	Name	Gender	Date elected/appointed	Service term/years	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shareholding in the name of a third party		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	The Republic of China	WeiHsin Ma	Female	2018.06.14	3	2015.06.03	1,830	0.25	4,699	0.58	10,741	1.33	0	0.00	Ph.D., National Tsing Hua University College of Humanities and Social Sciences; EMBA, Peking University; Department of East Asian Languages and Cultures, University of California, Berkeley Chairman of Yuanta Securities Investment Trust Co., Ltd. and HannStar Display Corporation	Chief Executive Officer of the Company Chairman of Golden Apple Technology Co., Ltd. and Glorystone Inc. Director of HannStar Display Corporation, Walsin Lihwa Corporation, and Winbond Electronics Corp.	Director	YuChi Chiao	Spouse	Note 1
Director	The Republic of China	Hua Li Investment Corporation		2018.06.14	3	2006.07.01	87,377	7.50	59,440	7.37	0	0.00	0	0.00	Not applicable	Chairperson of Yueh Ma First Investment Corporation Corporate Supervisor of Info-Tek Corporation Institutional Chairman of Mianlu Dining, Inc.	None	None	None	None
	The Republic of China	Representative YuChi Chiao	Male	2018.06.14	3	2012.06.18	0	0.00	10,741	1.33	4,699	0.58	0	0.00	Ph.D. in Business Administration, City University of Hong Kong; and Ph.D. in Business Administration, Fudan University Director and President of Walsin Lihwa Corporation Director of HannStar Board Co., Ltd. Supervisor of Winbond Electronics Corporation	Chairperson and President of HannStar Display Corporation Chairperson of Hua Li Investment Corporation Representative of Institutional Chairman of Mianlu Dining, Inc. Director of Bradford Ltd. · Hannspirit (BV) Holding Ltd. · Brightpro Resources Limited and Hannspree International Holding Ltd.	Chairman	WeiHsin Ma	Spouse	None
Director	The Republic of China	TsuKang Yu	Male	2018.06.14	3	2015.06.03	0	0.00	0	0.00	0	0.00	0	0.00	Department of Business Administration, Chinese Culture University General Manager of USA International Co Ltd. (USA) and Rowin Inc (USA); Vice President of Union Group Corp. Vice President of Union Group Corporation	Chairperson of Union Group Corporation, Union Electric Corporation and Tzu Feng Cultural and Educational Foundation Director of Lughwa University of Science and Technology Independent Director of TECO Image Systems Incorporation	None	None	None	None

Title	Nationality of place of registration	Name	Gender	Date elected/appointed	Service term/years	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shareholding in the name of a third party		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
Director	The Republic of China	Sean Tai	Male	2018.06.14	3	2018.06.14	0	0.00	0	0.00	0	0.00	0	0.00	Masters and Ph.D. of Electrical Engineering, Yale University; and Bachelor of Electrical Engineering, National Taiwan University Operational Director of Realtek Semiconductor Corp.; Vice President and President of Silicon Touch Technology Inc.; Manager, Division Head, and Assistant Vice President of Winbond Electronics Corp.; and Technology Manager of Taiwan Semiconductor Manufacturing Company Limited	Chairman of Nuvoton Technology Corporation (Shanghai), Nuvoton Technology Corporation (HongKong), Nuvoton Technology Corporation (Shenzhen) Director of Songyong Investment, Winbond Electronics Corporation (Nanjing) President of Nuvoton Technology Corp.	None	None	None	None
Independent Director	The Republic of China	TienShang Chang	Male	2018.06.14	3	2018.06.14	0	0.00	0	0.00	0	0.00	0	0.00	MBA, University of Pennsylvania Wharton School; Bachelor, Harvard University Director of CR Yuanta Fund Management Co., Ltd.	Representative of Corporate Chairperson of Fu Burg Industrial Co., Ltd. Supervisor of Lytone Enterprise, Inc. Representative of Institutional Supervisor of MICROTIPS TECHNOLOGY INC.	None	None	None	None
Independent Director	The Republic of China	Daniel Shih	Male	2018.06.14	3	2018.06.14	0	0.00	0	0.00	0	0.00	0	0.00	Honorary doctoral degree, Alabama State University; Master of Electrical Engineering, University of Cincinnati Vice Chairman of Stella International Holdings Limited; Chairman of PepsiCo China; Vice Chairman of China Beverage Industry Association and China Association of Enterprises With Foreign Investment; CEO of Motorola (China) Electronics Ltd.; Vice President of Asia Pacific, General Electric Company (GE); Independent Director of Archer-Daniels-Midland Company; Vice Chairman of Chengdu Taiwan Business Association; and Chief Advisor of Shanghai Pilot Free Trade Zone Scientific Innovation Center	Chief Advisor of Chengdu Blue Sword Drink & Food	None	None	None	None
Independent Director	The Republic of China	Tommy S. Chao	Male	2018.06.14	3	2018.06.14	0	0.00	0	0.00	0	0.00	0	0.00	Masters Degree, Massachusetts Institute of Technology Center for Real Estate; Bachelor of Architecture with minor in Urban Development, University of California, Berkeley President of Polaris Securities (Hong Kong) Limited; Senior Assistant Vice President of Capital Markets, Polaris Securities; Senior Manager of Market Development, BasicLink Global Limited; Taiwan e-Commerce Department, Atlas Sport Co., Ltd.	Chairman of Social Entertainment Enterprise, Hua Chuan Asset Management Co., Ltd., and Shine Vast Investment Limited Supervisor of Wan Ho Investment Co., Ltd.	None	None	None	None

Note 1: The Chairman is also the Chief Executive Officer because of the relevant background in management and leadership for the industry and the fact that a majority of the directors are not also the Company's employees or managers. In the future, the corporate governance best practice goals will be evaluated while the disallowed dual position or increase in the ratio of independent directors are being considered.

Where the director or supervisor is a representative of corporate director, the name of the corporate shareholder, its top-10 shareholders and shareholding percentages are listed:

(1) Major shareholders of corporate shareholders

April 19, 2021

Name of corporate shareholder	Corporate shareholder's major shareholders	Shareholding percentage %
HUALI Investment Corp.	HannStar Display Corporation	100

(2) Key shareholders of major corporate shareholders listed in Table (1)

March 27, 2021

Name of corporate entity	Corporate entity's major shareholders	Shareholding percentage %
HannStar Display Corporation	Chin-Xin Investment Co., Ltd.	10.24
	Walsin Lihwa Corporation	9.9
	Winbond Electronics Corporation	4.96
	HannsTouch Solution Incorporated	1.27
	YuChi Chiao	1.26
	Vanguard Emerging Markets Emerging Markets Stock Index Fund Investment Account managed by the Vanguard Group in the trusteeship of JPMorgan Chase Bank, N. A., Taipei Branch	1.11
	Advanced Composite International Stock Index Investment Account for a series of funds of Advanced Star Fund Manager in the trusteeship of JPMorgan Chase Bank, N. A., Taipei Branch	1.04
	Polunin Developing Countries Fund Manager Investment Account in the trusteeship of Citibank Taiwan	1.04
	Merrill Lynch International Investment Account in the trusteeship of HSBC Taipei Branch	0.7
Capital Marathon Securities Investment Trust Account in the trusteeship of the Trust Department of Union Bank	0.66	

(3) Directors' expertise and independence

Name	Criteria			Compliance of independence (Note 1)												Number of positions as independent director in other public companies
	Having more than 5 years work experience and professional qualifications listed below	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11		12
WeiHsin Ma			✓					✓	✓			✓		✓	✓	0
YuChi Chiao (Note 2)			✓						✓			✓		✓		0
TsuKang Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Sean Tai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
TienShang Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Daniel Shih			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tommy S. Chao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: A "✓" is placed in the box if the director met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (6) Not a director, supervisor or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty as chairman, president or equivalent role, and is not a director, supervisor, or employee of another company or institution owned by spouse. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws.)
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

Note 2: Mr. YuChi Chiao was the representative of Hua Li Investment Corp., one of the Company's corporate directors.

(2) Profiles of the President, vice presidents, assistant vice presidents, and managers:

April 19, 2021; unit: thousand shares; %

Title	Nationality	Name	Gender	Date elected/appointed	Current shareholding		Shares held by spouse and underage children		Shareholding in the name of a third party		Main career (academic) backgrounds	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	the Company	
CEO	ROC	WeiHsin Ma	Female	April 30, 2019	4,699	0.58	10,741	1.33	-	-	Ph.D., National Tsing Hua University College of Humanities and Social Sciences; EMBA, Peking University; Department of East Asian Languages and Cultures, University of California, Berkeley Chairman of Yuanta Securities Investment Trust Co., Ltd. and HannStar Display Corporation	Chairman of the Company Chairman of Golden Apple Technology Co., Ltd. and Glorystone Inc. Director of HannStar Display Corporation, Walsin Lihwa Corporation, and Winbond Electronics Corp.	None	None	None	Note 6
President	ROC	WEN Jinxiang	Male	November 1, 2018	100	0.01	-	-	-	-	Master of Engineering Management, University of Technology Sydney Assistant Vice President and Plant Manager of Winbond Electronics Corp. Vice President of Nuvoton Technology Corp.	None	None	None	None	None
Vice President	The Republic of China	TSAI Jungtsung (Note 1)	Male	2020.01.17	-	-	-	-	-	-	Department of Accounting, National Chengchi University; Master of Finance, The City University of New York AICPA certified Head of Finance and Accounting Center and Chief Auditor of HannStar Display Corporation	None	None	None	None	None
Assistant Vice President	ROC	Lien-Hsiang Chiang	Male	November 2, 2015	100	0.01	-	-	-	-	Department of Electronic Engineering, Chung Yuan Christian University Plant Manager of Chi Mei Optoelectronics Corporation Plant Manager of HannStar Display Corporation Deputy Manager of Taiwan Semiconductor Manufacturing Company Limited	None	None	None	None	None
Assistant Vice President	The Republic of China	Po-Chiang Huang (Note 2)	Male	November 6, 2019	-	-	-	-	-	-	Master of Comparative Law, Indiana University Vice President of Legal Affairs of HTC Corporation	None	None	None	None	None
Assistant Vice President	The Republic of China	YANG Yutze (Note 3)	Female	May 8, 2020	-	-	-	-	-	-	Master of International Advanced Management Program of National Sun Yat-sen University Director of Legal Affairs, HannStar Display Corporation	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected/appointed	Current shareholding		Shares held by spouse and underage children		Shareholding in the name of a third party		Main career (academic) backgrounds	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	the Company	
Assistant Vice President	The Republic of China	Tai-Yuan Chen (Note 4)	Male	December 29, 2020	-	-	2	-	-	-	Master of Chemical Engineering, National Cheng Kung University - Vice President and Head of Plant, SHENZHEN HUAKE-TEK CO., LTD. Head of Plant, Biel crystal manufactory Ltd.	None	None	None	None	None
Assistant Vice President	The Republic of China	LIU Tingxian (Note 5)	Female	January 26, 2021	-	-	-	-	-	-	Master of Accounting, National Taiwan University Chief Financial Officer and Head of the Management Office, JAY TEK ENTERPRISE CORP. - Head of Audit of Lite-On Technology, Chief Financial Officer of the Mobile Mechanism Business Group Chief Auditor of Compal Electronics, Inc.	None	None	None	None	None

Note 1. July 17, 2020 Vice President TSAI Jungtsung was appointed the head of finance. And was transferred within the Group on April 1, 2021

Note 2. February 17, 2021 Assistant Vice President HUANG Pochiang resigned.

Note 3. May 8, 2020 Ms. YANG Yutze was promoted as the Assistant Vice President of the Audit Office. And was transferred to another department on March 19, 2021.

Note 4. December 29, 2020 CHEN Taiyuan was promoted to be the Assistant Vice President of the Product Development Center.

Note 5. January 26, 2021 LIU Dingxien was promoted to be the Assistant Vice President. And succeeded as the head of finance on April 1, 2021.

Note 6. The Chairman is also the Chief Executive Officer because of the relevant background in management and leadership for the industry and the fact that a majority of the directors are not also the Company's employees or managers. In the future, the corporate governance best practice goals will be evaluated while the disallowed dual position or increase in the ratio of independent directors are being considered.

3. Compensation to directors, supervisors, the President, and vice presidents in the latest year

(1) Compensation to non-independent and independent directors:

December 31, 2020; unit: NTD thousands

Title	Name	Directors' compensation								Sum of A, B, C and D as a percentage of net income (%)		Compensation received as employee								Sum of A, B, C, D, E, F, and G as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
		Benefits (A)		Pension (B)		Director remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc. (E)		Severance payment and pension (F)		Employee compensation (Proposed)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company (proposed)	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares	The Company	All companies included in the financial statements	
Chairman	WeiHsin Ma	240	240	-	-	858	858	60	60	0.33	0.33	8,380	8,380	-	-	83	-	83	-	2.75	2.75	-
Director	Hua Li Investment	240	240	-	-	857	857	-	-	0.31	0.31	-	-	-	-	-	-	-	-	0.31	0.31	-
	Representative : YuChi Chiao	-	-	-	-	-	-	50	50	0.01	0.01	-	-	-	-	-	-	-	-	0.01	0.01	-
Director	TsuKang Yu	240	240	-	-	857	857	60	60	0.33	0.33	-	-	-	-	-	-	-	-	0.33	0.33	-
Director	Sean Tai	240	240	-	-	857	857	40	40	0.32	0.32	-	-	-	-	-	-	-	-	0.32	0.32	-
Independent Director	TienShang Chang	360	360	-	-	857	857	60	60	0.36	0.36	-	-	-	-	-	-	-	-	0.36	0.36	-
Independent Director	Daniel Shih	360	360	-	-	857	857	60	60	0.36	0.36	-	-	-	-	-	-	-	-	0.36	0.36	-
Independent Director	Tommy S. Chao	360	360	-	-	857	857	30	30	0.36	0.36	-	-	-	-	-	-	-	-	0.36	0.36	-
Total		2,040	2,040	-	-	6,000	6,000	360	360	2.40	2.40	8,380	8,380	-	-	83	-	83	-	4.82	4.82	-

- Please explain the policy, system, standards and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks, and time committed:
The Company has developed its director (including independent director) compensation policy according to The Company Act and Articles of Incorporation. Compensation package is proposed by the Remuneration Committee after taking into consideration the Company's operating strategies, profitability, future prospects, the industry environment, and performance of individual directors, and is executed with the approval of the board of directors.
- Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None

Compensation range

Range of compensation paid to directors	Name of director			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Below NT\$ 1,000,000	YuChi Chiao		YuChi Chiao	
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (non-inclusive)	WeiHsin Ma, ORIENTAL CONSORTIUM INVESTMENT LIMITED TsuKang Yu, Sean Tai TienShang Chang, Daniel Shih Tommy S. Chao	WeiHsin Ma, ORIENTAL CONSORTIUM INVESTMENT LIMITED TsuKang Yu, Sean Tai TienShang Chang, Daniel Shih Tommy S. Chao	Huali Investment TsuKang Yu, Sean Tai TienShang Chang, Daniel Shih Tommy S. Chao	Huali Investment TsuKang Yu, Sean Tai TienShang Chang, Daniel Shih Tommy S. Chao
NT\$ 2,000,000 (inclusive) ~ 3,500,000 (non-inclusive)				
NT\$ 3,500,000 (inclusive) ~ 5,000,000 (non-inclusive)				
NT\$ 5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)			WeiHsin Ma	WeiHsin Ma
NT\$ 10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)				
NT\$ 15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)				
NT\$ 30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)				
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	8	8	8	8

(2) Supervisors' remuneration: not applicable since no supervisor was appointed for the Company.

(3) Compensation to the President and vice presidents:

December 31, 2020; unit: NTD thousands

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Employee remuneration (D) (proposed)				Sum of A, B, C, and D as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
CEO	WeiHsin Ma	7,183	7,183	-	-	1,197	1,197	83	-	83	-	2.42	2.42	-
President	WEN Jinxiang	4,448	4,448	-	-	681	681	83	-	83	-	1.49	1.49	-
Vice President	TSAI Jungtsung	2,854	2,854	-	-	412	412	83	-	83	-	0.96	0.96	-

Compensation range

Range of compensation to the President and vice presidents	Names of President and vice presidents	
	The Company	All companies included in the financial statements
Below NT\$ 1,000,000		
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)		
NT\$ 2,000,000 (inclusive) ~ 3,500,000 (non-inclusive)	TSAI Jungtsung	TSAI Jungtsung
NT\$ 3,500,000 (inclusive) ~ 5,000,000 (non-inclusive)		
NT\$ 5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	WeiHsin Ma, WEN Jinxiang	WeiHsin Ma, WEN Jinxiang
NT\$ 10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)		
NT\$ 15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	3	3

(4) Names of managers entitled to employee remuneration and amount entitled:

March 31, 2021; unit: NTD thousands

	Title	Name	Amount paid in shares	Amount paid in cash (Proposed)	Total	Total as a percentage of net income (%)
Managers	Chairman CEO	WeiHsin Ma	None	667	667	0.19
	President	Jinxiang Wen				
	Vice President Head of finance (Note 2)	Jung-Tsung Tsai				
	Assistant Vice President	Lien-Hsiang Chiang				
	Assistant Vice President (Note 3)	Po-Chiang Huang				
	Assistant Vice President (Note 4)	YANG Yutze				
	Assistant Vice President (Note 5)	Tai-Yuan Chen				
	Assistant Vice President Head of Finance (Note 6)	LIU Tingxian				
	Head of accounting	Che-Chia Chang				

Note 1: Represents **proposed amount** of employee remuneration for managers that the board of directors has approved for the most recent year. Net income refers to the amount of after-tax profit shown in the Company's 2020 standalone financial statements that is attributable to the parent company.

Note 2: HUANG Pochiang resigned on February 17.

Note 3: TSAI Jungtsung succeeded as Vice President and Head of Finance on January 17, 2020. And was transferred within the Group on April 1, 2021.

Note 4: May 8, 2020 Ms. YANG Yutze was promoted to be the Assistant Vice President of Audit Office. And was transferred to another department on March 19, 2021.

Note 5: December 29, 2020 CHEN Taiyuan was promoted to be the Assistant Vice President of the Product Development Center.

Note 6: January 26, 2021 LIU Dingxian was promoted to be the Assistant Vice President. And succeeded as the head of finance on April 1, 2021.

(5) Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and vice presidents, and their respective proportions to standalone net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks:

Title	2019		2020	
	The Company	Consolidated statement All Company	The Company	Consolidated statement All Company
Director	3.06%	3.06%	4.82%	4.82%
President and vice presidents	0.86%	0.86%	4.87%	4.87%

Note 1: The Company does not have supervisor in place.

Note 2: Net income (loss) refers to the amount of after-tax profit shown in the Company's standalone financial statements that is attributable to the parent company.

The director remuneration policy complies with the Company Act and Articles of Incorporation, takes into account the director's performance in the comprehension of the Company's targets, missions and duties, participation level of the management, fostering and communication of internal working relationship, professionalism and continuing

education, internal control and other factors. The Remuneration Committee shall make the proposal pertaining the director remuneration, which shall be executed after resolution passed by the board of directors. Managers' compensations are proposed by the Remuneration Committee after taking into consideration the Company's operating strategies, profitability, individual performance (e.g. problem solving capabilities, planning and organization capabilities, active participation, dedication and engagement, continuous improvements, building successful team, cross departmental communication and talent development capabilities, etc.), and the market salary, and executed with the approval of the board of directors.

The above principles may be adjusted as needed at appropriate times depending on changes in the economy and the industry after taking into consideration the Company's future prospects and profitability.

4. Corporate governance

(1) Functionality of board of directors:

A total of 8 Board meetings (A) were held in 2020; directors' attendance records are summarized below:

Title	Name	Number of in-person attendance (B)	Number of proxy attendance	In-person attendance rate (%) [B/A]	Remarks
Chairman	WeiHsin Ma	8	0	100%	
Chairman	Hua Li Investment Corp. Representative: YuChi Chiao	7	1	88%	
Director	TsuKang Yu	8	0	100%	
Director	Sean Tai	6	2	75%	
Independent Director	TienShang Chang	8	0	100%	
Independent Director	Daniel Shih	8	0	100%	
Independent Director	Tommy S. Chao	5	3	63%	

Other mandatory disclosures:

1. Board meeting-related disclosures required by Article 14-3 of the Securities and Exchange Act and any documented objection or reservation made by independent directors against board of directors' resolutions; state the date and details of the resolution, the meeting session, the independent directors' opinions and how the Company has responded:

(1) Conditions described in Article 14-3 of the Securities and Exchange Act: Please refer to "Major board of directors resolutions and execution" in page 54 of this annual report.

(2) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.

2. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

(1) Discussions in board meeting dated 2020.01.17 - 2019 second-half manager performance evaluation, 2019 year-end bonus for Chairman/CEO, and 2019 year-end bonus for managers: Chairman WeiHsin Ma concurrently served as CEO of the Company, whereas Director YuChi Chiao was identified as Ma's spouse; for this reason, the two parties above had recused from discussion and Director TienShang Chang was designated as acting chairperson for the motions, which were passed as proposed without objection from attending directors upon inquiry.

(2) Discussion in board meeting dated 2020.03.20 - proposal to lend capital to Glorystone Inc.: Chairman WeiHsin Ma concurrently served as Chairman of Glorystone, whereas Director YuChi Chiao was identified as Ma's spouse; for this reason, the two parties above had recused from discussion and Director TienShang Chang was designated as acting chairperson for the motion, which was passed as proposed without objection from attending directors upon inquiry.

(3) Discussion in board meeting dated 2020.05.08 - allocation of 2019 employee remuneration for managers: Chairman WeiHsin Ma concurrently served as CEO, whereas Director YuChi Chiao was identified as Ma's spouse; for this reason, the two parties above had recused from discussion and Director TienShang Chang was designated as acting chairperson for the motion, which was passed as proposed without objection from attending directors upon inquiry.

- (4) Discussion in board meeting dated 2020.08.05 - allocation of 2019 employee remuneration for managers: Chairman WeiHsin Ma concurrently served as CEO, whereas Director YuChi Chiao was identified as Ma's spouse; for this reason, the two parties above had recused from discussion and Director TienShang Chang was designated as acting chairperson for the motion, which was passed as proposed without objection from attending directors upon inquiry.
 - (5) Discussion in board meeting dated 2020.11.05 - proposal to dispose 1F, 2F, and 3F of the Company's plant in Southern Taiwan Science Park: Director Chiao served as Chairman of HannStar Display Corporation, whereas Chairman Ma was identified as Chiao's spouse; for this reason, the two parties above had recused from discussion and Director TienShang Chang was designated as acting chairperson for the motion, which was passed as proposed without objection from attending directors upon inquiry.
 - (6) Discussion in board meeting dated 2020.12.29 - The Board of Directors discussed the acquisition of common stock shares from HannStar Display Corporation. Because Director CHIAO is the chairman of HannStar Display Corporation and Chairman MA is his spouse, a recusal was required by law due to conflicting interests and TienShang Chang was assigned to be the acting chairperson; the case was approved as is unanimously among attending directors.
 - (7) Discussion in board meeting dated 2021.01.26 - The Board of Directors discussed the year-end bonus for the Chairman and Chief Executive Officer of the Company for 2020. Because Chairman MA is also the Chief Executive Officer and Chairman CHIAO is her spouse, a recusal was required by law due to conflicting interests and TienShang Chang was assigned to be the acting chairperson; the case was approved as is unanimously among attending directors.
3. Enhancements to the functionality of board of directors in the current and most recent year, and progress of such enhancements:
- (1) The Company assembled an Audit Committee on June 3, 2015 in an attempt to improve corporate governance and board function. The committee convenes meetings at least once per quarter, and operates primarily to oversee the following matters:
 1. Fair presentation of the Company's financial statements.
 2. Appointment and dismissal of financial statement auditors, and evaluation of their independence and performance.
 3. Implementation of the Company's internal control system.
 4. The Company's compliance with relevant regulations and rules.
 5. Control over the Company's existing or potential risks.
 - (2) The Company has "Director and Manager Ethics Guidelines," "Director Salary, Benefit, and Performance Evaluation Policy," "Manager Compensation Policy" and "Corporate Governance Best Practice Principles" in place to enhance board functions.
 - (3) Aside from Audit Committee, the Company also has a Remuneration Committee available to assist the board of directors with compensation management. Please refer to the Corporate Governance chapter of this annual report for performance information of the committee.
 - (4) The Company encourages board members to undergo continuing education as a way to develop professional knowledge and legal awareness, and thereby improve corporate governance practices. The Company also provides directors and supervisors with timely updates on training courses and regulatory amendments.

Independent directors' attendance in 2020 board meetings: ✓in-person attendance ◎proxy attendance *no attendance

Name/Date	January 17, 2020	March 20, 2020	May 5, 2020	August 5, 2020	November 5, 2020	December 29, 2020	January 26, 2021	March 19, 2021
TienShang Chang	✓	✓	✓	✓	✓	✓	✓	✓
Daniel Shih	✓	✓	✓	✓	✓	✓	✓	✓
Tommy S. Chao	◎	◎	✓	✓	◎	✓	✓	✓

2020 Board of Directors Performance Evaluation Implementation status:

Board of Directors Performance Evaluation Implementation status	
Evaluation Cycle	<ul style="list-style-type: none"> ■ The self-assessment is performed once a year, including the Board of Directors self-assessment, the Functional Committee self-assessment, and the self-assessment among the Board members, and peer assessment ■ An assessment shall be performed once every three years by an external independent professional institution or a group of external experts and scholars.
Evaluated period	January 1 through December 31, 2020
Scope of evaluation	Performance evaluations of the Board of Directors and the functional committees
Evaluation method	<ul style="list-style-type: none"> ■ Self-assessment (Board members, Board of Directors and Functional Committees) ■ An assessment shall be performed by an external independent professional institution or a group of external experts and scholars.
Highlights of evaluation	<p>I. Board members:</p> <p>Keeping track of the Company's goals and missions, awareness of the duties of directors, involvement in the Company's operation, internal relations management and communication, professional and continuing education for directors, internal control, other items.</p> <p>II. Board of Directors and Functional Committees:</p> <p>Involvement in the Company's operation, awareness of duties, improvement of decision-making quality, composition and structure, election and continuing education, internal control, other items.</p>
Assessment outcome	<ul style="list-style-type: none"> ■ Assessment outcome: According to the findings in the assessment of the performance of the Board of Directors for 2020, the Board of Directors was generally working well. For 2021, the findings from the 2020 evaluation will be followed to continue reinforcing the Board of Directors and to enhance corporate governance efficacy. ■ The performance appraisal of directors was conducted by the <u>Taiwan Institute of Ethical Business and Forensic</u>. The organization and the experts who conducted the appraisal is independent from the Company's business and submitted the appraisal on March 9, 2021. On March 19, 2021, the report was discussed on the board meeting. The observation and recommendations for improvement are as follows: <ul style="list-style-type: none"> 1. Chairman also serving as the highest-ranking manager: in light of the fact that the incumbent Chairman has abundant experience in the industry, Chairman also serves as the highest-

Board of Directors Performance Evaluation Implementation status

ranking manager in order to take part in leading and running the Company and there are fewer than one-third of the board members who are also managers at the moment. It is advised that with the business scale increasing each day, the principles defined in the Corporate Governance Best Practice Principles may be referred to, depending on the operational scale of the Company in the future, while whether the best practice goal of the Chairman not serving as the highest-ranking manager may be fulfilled or not is being evaluated.

2. Adjustment of whistle-blowing guidelines and establishment of whistle-blowing channel for external people: Despite the fact that the Company has the “Corporate Governance Best Practice Principles” and the “Ethical Code of Conduct for Directors and Managers” in place, there are no regulations governing how an investigation shall proceed and how related reporting may take place once a case reported is entered for processing. It is advised to define such regulations. The Company may also consider outsourcing whistle-blowing to an independent external institution that will provide the exclusive email or hotline for whistle-blowing purpose.
3. Reinforced establishment of a professional human resources bank: It is advised that the Board of Directors of the Company may make decisions regarding the strategic directives for the talent echelons that may be established in the future and such directives are to be handed to the management team for implementation so that the management at different departments may take over the assignments successfully.
4. Reinforced emphasis of the Board of Directors over the issue of corporate social responsibilities: The Company has already linked corporate social responsibilities (CSRs) with its daily business activities and is fulfilling CSR goals while pursuing business profits. It is devoted to bringing consistency between the operational behavior and its own business purpose and core corporate values. The Company has issued the CSR Report for the fourth year in a row to stakeholders know major issues that the Company is concerned about and related risk assessments. In light of the fact that some of the directors interviewed believed that there is still room for improvement and development with regard to the planning of and strategy about corporate social responsibilities of the Company at present, however, considerations in the future may be placed on the discussion about corporate social responsibilities within the Board of Directors in order to obtain more diversified perspectives and to help with innovative thinking.
5. Continuing education available in the industry: In order for the Board directors of the Company to better keep track of the economic situation facing it and to analyze trends in the industry, it is advised that the Company may make further planing reflective of the operational direction of the four corporate groups being evaluated and the developmental trends in the industry and holds its own industry-specific courses so that Board directors from different industries can have knowledge of the industry that the Company is in and it helps all Board members keep track of the competition and trends in the industry.

(2) Involvement of Audit Committee members or supervisors in board of directors' meetings:

(1) Functionality of the Audit Committee:

A total of 7 Audit Committee meetings (A) were held in 2020; independent directors' attendance records are summarized below:

Title	Name	Number of in-person attendance (B)	Number of proxy attendance	In-person attendance rate (%) (B/A)	Remarks
Convener	TienShang Chang	7	0	100%	
Committee member	Daniel Shih	7	0	100%	
Committee member	Tommy S. Chao	4	3	57%	

● Duties of the Audit Committee:

1. Defining or revision of the internal control system in compliance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of the internal control system
3. Revision or amendment of the procedures for acquiring or disposing of assets, lending funds, and endorsements/guarantees as required by Article 36-1 of the Securities and Exchange Act
4. Matters involving the interests of the Board directors
5. Transaction of major assets or lending of funds, and endorsements/guarantees
6. Raising, release, or private placement of equity securities
7. Evaluation of the assignment, dismissal, compensation, and independence and suitability of certified public accountants
8. Appointment or dismissal of the heads of finance, accounting, or internal audit
9. Annual Financial Statements signed or sealed by the Chairman, managers, and head of accounting
10. Other important matters as specified by the Company or the competent authority

● Highlights of Tasks throughout the Year:

1. Perform audit on financial statements, accounting policies and procedures.
2. Oversee the internal control system, the related policies and procedures.
3. Oversee major asset transactions.
4. Oversee major funds lending.
5. Oversee public offering or issuance of securities.
6. Oversee legal compliance.
7. Oversee transactions of employees, managers, and directors with related parties, if any, and possible conflicts of interest.
8. Devise fraud prevention plan and compose fraud investigation report.
9. Evaluate the qualification, independence and performance of independent auditors.
10. Oversee the engagement, discharge or fees of independent auditors.
11. Oversee the appointment or dismissal of the heads of finance, accounting, or internal audit.
12. Oversee the execution of the Audit Committee's duties.
13. Conduct the internal self-assessment and external assessment questionnaires pertaining to the performance of the Audit Committee.

● Other matters and implementation status:

1. For Audit Committee meetings that meet any of the following descriptions, state the date and session of board of directors meeting held, the discussed topics, the Audit Committee's resolution, and how the Company has responded to Audit Committee's opinions.
 - (1) Conditions described in Article 14-5 of the Securities and Exchange Act:

Historical	Decisions Made	How opinions from the Audit Committee are addressed
2020.01.17 The 10 th meeting of the second intake	<ol style="list-style-type: none"> 1. Intended hiring of Mr. TSAI Jungtsung as the Vice President of the Company's Finance & Accounting Center 2. Intended proposal of Mr. TSAI Jungtsung as the head of finance of the Company 	No members expressed opinions and the cases were submitted to the Board of Directors for a decision and were approved.
March 20, 2020 The 11 th meeting of the second intake	<ol style="list-style-type: none"> 1. 2019 Business Report and Financial Statements 2. Declaration on Internal Control based on the findings from the internal control self assessment of 2019 3. 2019 Distribution of Earnings 4. Intended capital increase in cash for issuance of common stock through private placement or public offering or the combination of the two 5. Intended lending of funds to Glorystone Inc. 6. 2020 CPA assignment and independence assessment 7. Intended revision of the "internal control system" and "Internal Audit Enforcement Rules". 8. Intended revision of the Regulations Governing the Acquisition and Disposal of Assets 9. Intended revision of the Operating Procedure for Lending of Funds and Endorsement/Guarantee 10. Intended revision of the Audit Committee Organic Rules 	No members expressed opinions and the cases were submitted to the Board of Directors for a decision and were approved.
May 8, 2020 The 12 th meeting of the second intake	<ol style="list-style-type: none"> 1. The Consolidated Financial Statement for the first quarter of 2020 2. Supplementary public offering for the private placement of common stock and the application for being traded on the market 3. Intended revision of some of the articles in the Internal Control System regarding "criteria and regulations of the internal control system of the service unit" 	No members expressed opinions and the cases were submitted to the Board of Directors for a decision and were approved.
August 5, 2020 The 13 th meeting of the second intake	<ol style="list-style-type: none"> 1. Consolidated Financial Statement for the second quarter of 2020 2. Appropriation of 2020 first-half earnings 	No members expressed opinions and the cases were submitted to the Board of Directors for a decision and were approved.
November 5, 2020 The 14 th meeting of the second intake	<ol style="list-style-type: none"> 1. Revision of the "Hierarchical Responsibility Principles" 2. Intended stipulation of the 2021 Internal Audit Plan 3. Consolidated Financial Statement for the third quarter of 2020 4. Intended disposal of the first, second, and third floors of the plant in the Tainan Science Park 	No members expressed opinions and the cases were submitted to the Board of Directors for a decision and were approved.
December 29, 2020 The 15 th meeting of the second intake	<ol style="list-style-type: none"> 1. Intended acquisition of common stock shares of HannStar Display Corporation 2. Intended stipulation of the 2021 Operation Plan 3. Discussion of the promotion of Special Assistant CHEN Taiyuan at the Product Development Center to be the Assistant Vice President 	No members expressed opinions and the cases were submitted to the Board of Directors for a decision and were approved.
March 19, 2021 The 16 th meeting of the second intake	<ol style="list-style-type: none"> 1. 2020 Business Report and Financial Statements 2. Declaration on Internal Control based on the findings from the internal control self assessment of 2020 3. 2020 Distribution of Earnings 4. Intended capital increase in cash for issuance of common stock through private placement or public offering or the combination of the two 5. 2021 CPA assignment and independence assessment 6. Intended lending of funds to Glorystone Inc. 7. Hiring of the head of audit 8. Appointment of the head of finance 9. Intended revision of the "internal control system" and "Internal Audit Enforcement Rules". 	No members expressed opinions and the cases were submitted to the Board of Directors for a decision and were approved.

(2) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

2. Avoidance of conflicting-interest motions by independent directors: None.

3. Communication between independent directors and internal/external auditors:

(1). Communication between independent directors and internal/external auditors

1. The Company not only has an internal audit team that presents audit reports and audit findings tracking reports to independent directors on a monthly basis, the chief internal auditor also updates independent directors on the audit tasks performed, the findings discovered, and follow-up actions during Audit Committee meetings, which are convened at least once per quarter.
2. Financial statement auditors report to independent directors during quarterly Audit Committee meetings on various issues, including: review/audit findings on quarterly financial statements of the Company and subsidiaries, outcome of internal control audit, IFRSs amendments and their effects, and other matters required by law. The auditors also communicate with independent directors on the use of adjusting entries and whether changes in law would affect the ways accounts are presented.
3. The chief internal auditor, CPA, and independent directors are able to contact each other directly at any time using open communication channels.

(2) Summary of previous communications between independent directors and internal auditors

Independent directors' opinions on audit execution and performance: Issues were adequately communicated; the following is a summary of key issues communicated in 2020:

Date	Highlights of the meeting/communication	Advice and Outcome
March 20, 2020	The 11 th meeting of the second intake 1. Audit Implementation Report of December 2019 through February 2020. 2. Improvement Progress and Tracking Report for Deficiencies Found during the Audit. 3. Issuance of the 2019 Internal Control System Declaration. 4. Revision of the "internal control system" and "Internal Audit Enforcement Rules".	No objections. Approved by the Audit Committee and submitted to the Board of Directors for a decision and approval and was announced and declared as scheduled.
May 8, 2020	The 12 th meeting of the second intake 1. Audit Implementation Report of March 2020 through April 2020. 2. Improvement Progress and Tracking Report for Deficiencies Found during the Audit. 3. Revision of some of the articles in the Internal Control System regarding "criteria and regulations of the internal control system of the service unit".	
August 5, 2020	The 13 th meeting of the second intake 1. Audit Implementation Report of May 2020 through July 2020. 2. Improvement Progress and Tracking Report for Deficiencies Found during the Audit.	
November 5, 2020	The 14 th meeting of the second intake 1. Audit Implementation Report of August 2020 through October 2020. 2. Improvement Progress and Tracking Report for Deficiencies Found during the Audit. 3. Revision of the "Hierarchical Responsibility Principles". 4. Stipulation of the 2021 Audit Plan.	
March 19, 2021	The 15 th meeting of the second intake 1. Audit Implementation Report of November 2020 through February 2021. 2. Improvement Progress and Tracking Report for Deficiencies Found during the Audit. 3. Revision of the "internal control system" and "Internal Audit Enforcement Rules".	

(3). Summary of previous communications between independent directors and financial statement auditors

Independent directors had made progressive communication with the financial statement auditors; the following is a summary of key issues communicated in 2020:

Date	Highlights of the meeting/communication	Management of implementation results
March 20, 2020	Audit Committee Discussed and communicated about the audit findings of the Consolidated and Individual Financial Statements and the Internal Audit Report of 2019 as well as applicability of some accounting principles and impacts of newly revised laws and regulations.	Submitted to the Board of Directors after review and approval

May 8, 2020	Audit Committee Discussed and communicated about the review findings of the Consolidated Financial Statement and the Internal Audit Report for the first quarter of 2020 as well as the impacts of some newly revised laws and regulations.	Submitted to the Board of Directors after review and approval
August 5, 2020	Audit Committee Discussed and communicated about the approval findings of the Consolidated Financial Statement and the Internal Audit Report for the second quarter of 2020 as well as applicability of some accounting principles and impacts of newly revised laws and regulations.	Submitted to the Board of Directors after review and approval
November 5, 2020	Audit Committee Discussed and communicated about the approval findings of the Consolidated Financial Statement and the Internal Audit Report for the third quarter of 2020 as well as applicability of some accounting principles and impacts of newly revised laws and regulations.	Submitted to the Board of Directors after review and approval
March 19, 2021	Audit Committee Discussed and communicated about the audit findings of the Consolidated and Individual Financial Statements and the Internal Audit Report of 2020 as well as applicability of some accounting principles and impacts of newly revised laws and regulations.	Submitted to the Board of Directors after review and approval

Note: The in-person attendance rate is calculated based on the number of Audit Committee meetings held and the number of in-person attendances made during active duty.

(2) Supervisors' involvement in board of directors' meetings: The Company does not have supervisors, hence not applicable.

(3) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established its own Corporate Governance Code of Conduct based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," which was approved in the board of directors meeting held on November 5, 2020.	No material deviation is found
2. Shareholding structure and shareholders' interests				No material deviation is found
(1) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?		✓	(1) The Company has a Share Service Department that handles shareholders' recommendations, queries, and disputes in accordance with "Regulations Governing the Administration of Shareholder Services of Public Companies" and Internal Control System, Standards, and Rules for Share Service Department.	
(2) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(2) The Company discloses the identities of its major shareholders and the ultimate controller in a manner that complies with laws.	
(3) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	✓		(3) Management responsibility and authority between the Company and affiliated enterprises are clearly distinguished; dealings between affiliated enterprises are carried out in compliance with the Internal Control System and relevant rules.	
(4) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	✓		(4) The Company has "Material Insider Information Handling and Insider Transaction Prevention Procedures" in place to serve as guidance for compliance; the details of which have been published on the Company's Documents Center and made accessible to employees. The Company has also been disseminating the procedures to directors and insiders in electronic form since October 28, 2020 to promote awareness.	
3. Composition and responsibilities of the board of directors	✓			No material deviation is found
(1) Has the board devised and implemented policies to ensure diversity of its members?			(1) Board diversity has been essential to the Company as it improves board performance and ensures sustainable growth. Members of the board are chosen using objective standards that emphasize solely on candidates' skills and capacity without limitation on gender, age, culture, education, ethnicity, religion, or philosophical belief. Diversity of the current (8th) board of directors:	

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>(2) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> <p>(3) Has the Company established standards and method for evaluating the performance of the Board of Directors, and does the Company implement the performance evaluation periodically and submit results of the performance evaluation to the Board of Directors, and use them for reference while deciding compensation and rewards for individual directors and nominating them for a second term in office??</p> <p>(4) Are external auditors' independence assessed on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>1 of the directors concurrently served as employee, and female directors accounted for 14% of the board.</p> <p>The Company has 3 independent directors that represent 42.8% of the board. All independent directors have served less than 3 years on the board; please refer to Appendix 1 in (page 37 of the annual report) for more details on the enforcement of diversity policy.</p> <p>(2) Given its current scale and operations, the Company has so far assembled a Remuneration Committee and an Audit Committee only, and has no plan to establish other functional committees at this point.</p> <p>(3) The Company has stipulated the “Regulations Governing the Review of Compensation and Remuneration for and Performance of Board Directors” and the external evaluation of the performance of the Board of Directors was completed in early March 2021 (For the evaluation findings, refer to Page 26 of this Annual Report) and submitted to the Board of Directors on March 19, 2021. Directors' performance evaluation results are used as reference in decisions such as compensation and renewal of service.</p> <p>(4) The Company assesses the independence and competency of its financial statement auditors once a year. Indicators such as: existence of financial stake/business interest between the accounting firm and the Company, term and competency of the financial statement auditors, audit team members' shareholding interest in the Company, and existence of borrowing/lending relationship are taken into consideration during assessment. Meanwhile, the CPAs have complied with CPA code of ethics of the Republic of China, maintained independence from the Company, and issued their declaration of independence.</p> <p>The 2020 evaluation result was passed in the Audit Committee meeting held on March 19, 2021 and reported to the board of director on March 19, 2021, during which the board resolved the conclusion that: CPA Ching-Chang Chen and CPA Kevin Lin of PwC Taiwan were found to have met the independence</p>	

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			requirements to serve as the Company's financial statement auditors.	
4. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?		✓	As of the date the Annual Report was printed, the Company has not set up an exclusive (inclusive) unit for corporate governance and the head of corporate governance. Respective corporate governance affairs, however, are to be handled in compliance with applicable laws and regulations. Refer to Exhibit 3 (Page 39 of the Annual Report).	Configured on May 5, 2021.
5. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	✓		The Company maintains open communication channel with stakeholders including suppliers, customers, employees, and investors. The Company also has a stakeholder section created on its website, with contact information disclosed to serve as communication channel with the Company.	No material deviation is found
6. Does the Company engage a share service agency to handle shareholder meeting affairs?		✓	The Company handles shareholder service on its own.	No material deviation is found
7. Information disclosure (1) Has the Company established a website that discloses financial, business, and corporate governance-related information? (2) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the Company website)?	✓ ✓		(1) The Company has an investor section created on its website (www.hannstouch.com) to disclose financial, business, and corporate governance information. (2) The Company maintains an English website, assigns dedicated personnel to collect and disclose relevant information, and enforces a spokesperson system. Details of any investor conference held are also disclosed on the Company's website and on "Market Observation Post System."	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?			(3) Although the Company currently does not publish annual financial reports within two months after the end of a financial year, it does update financial information on a quarterly basis and operations on a monthly basis before the due dates required by law.	
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	✓		<p>(1) Employee rights and employee care: The Company values and enforces employees' rights. In addition to providing mandatory benefits such as group insurance and pension fund contributions, the Company also arranges annual employee health checkups and maintains open communication channels to create a harmonic work environment that supports various work activities.</p> <p>(2) Investor relations: The Company has an investor section created on its website to disclose financial and business-related information.</p> <p>(3) Supplier relations and stakeholders' interest: The Company maintains productive relationship with suppliers and stakeholders, and engages them in financial and business dealings out of fairness to the best interest of both parties.</p>	No material deviation is found
			<p>(4) Purchase of director liability insurance: The Company has purchased liability insurance for directors, managers, and key staff for the protection of shareholders' interest.</p> <p>(5) Execution of customer policy: The Company respects and protects customers' technologies, documents, and information, and has measures in place to ensure confidentiality of customers' information.</p> <p>(6) As a principle, directors of the Company attend board meetings in-person except under special circumstances.</p> <p>(7) The Company has an environmental safety unit that supports government agencies and the industrial park administration in promoting proper awareness, and executing tasks relating to public safety, environmental protection, and beautification in the local area.</p> <p>(8) The Company has implemented a set of customer complaint procedures to help identify issues and areas of responsibility. Customers' claims are responded</p>	No material deviation is found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>quickly and proactively with effective measures, and followed up with preventive and improvement actions where appropriate. Senior managers would pay visit to customers personally to communicate on issues concerning production capacity, yield, delivery etc., and aim toward zero customer complaint.</p> <p>(9) For details on directors' education, please see Appendix 2 (page 38 of the annual report).</p> <p>(10) For the risk management policy, please refer to Page 99 of this Annual Report.</p>	

9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified.

Below is a summary of high-scoring areas and improvements made:

Question No.	Indicator	Company-wide score/percentage	Improvements
1.9	Does the company issue the English version meeting notice 30 days prior to the annual general meeting?	55%	Proposal for improvement.
2.3	Are the chairman and the general manager, or the equivalent position holder (the highest management position) the same person or spouses, or first-degree relatives?	52%	Proposal for improvement.
2.13	Do the Remuneration Committee members attend two meetings or more, and regularly disclose and review the performance appraisal of directors, supervisors and managers, the remuneration policy, system, standard and structure?	51%	The disclosure was only made in the annual reports for 2019. Information for the first half of the year for 2020 was not disclosed. Improvement measure has been made.
2.15	Does the company make disclosure on the communication between independent directors, head of internal auditor, and external auditors (e.g. the communication method, issues and results on the company financial reports, as well as the financial and business status) on the company website?	60%	The disclosure was only made in the annual reports for 2019. Information for the first half of the year for 2020 was not disclosed. Improvement measure has been made.
3.12	Is the dividend policy disclosed in the annual reports?	60%	Proposal for improvement.
3.15	Does the company volunteer the information on the non-audit fees paid to independent auditors, accounting firms, and affiliated companies in the annual reports?	72%	Proposal for improvement.

Appendix 1: Board Diversity Policy and Execution

◆ Board diversity policy:

According to Article 20 (Capabilities of the board of directors) of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies:

The board of directors of a TWSE/TPEX listed company shall exercise guidance over corporate strategies, supervise the management, and be held responsible to the company and its shareholders. The company shall adopt various processes and arrangements as part of its corporate governance system to ensure that the board of directors performs duties in accordance with laws, the Articles of Incorporation, and shareholders' resolutions.

Board of directors of a TWSE/TPEX listed company shall be structured based on the company's size and major shareholders' holding position. There should be five director seats or more, adjustable depending on the company's practical requirements.

Board members should be diversified in a manner that supports the Company's operations, business activities, and growth requirements, provided that the number of directors who concurrently hold managerial positions do not exceed one-third of the board. The diversification policy should include, but is not limited to, the following two principles:

1. Background and value: Gender, age, nationality, culture etc.
2. Knowledge and skills: Career background (e.g. law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience.

All board members shall possess the knowledge, skills, and characters needed to exercise their duties. In order to fulfill the ideal goals for corporate governance, the Board of Directors as a whole shall be capable of the following: making judgment about operations, accounting and financial analyses, operational management, crisis management, industrial knowledge, international market views, leadership, and decision-making.

◆ Diversity of the current (8th) board of directors:

- A. Board directors who are not employees: Target: 7; Actual: 6. The fulfillment rate is 86%.
- B. Ratio of female board directors: Target 3; Actual 1. The fulfillment rate is 33%.
- C. Industrial experience: Target_Electronics 5, Finance 3; Actual_Electronics 5, Finance 3. The fulfillment rate is 100%.
- D. Professional distribution: Target_Accounting 5, Legal 2, Marketing 3; Actual_Accounting 4, Legal 1, Marketing 2. The fulfillment rate is 70%.
- E. Distribution of ages of board directors: 40~50 ages x 1; 50~60 ages x 3; 60~70 ages x 3
- F. Independent directors: Target 4; Actual 3. The fulfillment rate is 75%.

The independent directors account for 42.8%; female directors: 14.3%; directors who are also employees: 14.3%, independent directors having served a term less than 3 years: 100%, directors aged 46 to 55: 29%, 56-65: 29%, and 66-70: 42%. They are listed separately as follows:

Title	Name	Gender	Age	Nationality	Concurrent employment position	Terms and years as independent director	Operational management	Accounting and finance	Crisis and risk management	Global vision of the industry	Leadership and decision-making
Chairman	WeiHsin Ma	Female	51	TW	✓	N/A	✓	✓	✓	✓	✓
Director	YuChi Chiao	Male	56	TW		N/A	✓	✓	✓	✓	✓
Director	TsuKang Yu	Male	66	TW		N/A	✓	✓	✓		✓
Director	Sean Tai	Male	56	TW		N/A	✓		✓	✓	✓
Independent Director	TienShang Chang	Male	68	TW		3 Years	✓	✓	✓	✓	✓
Independent Director	Daniel Shih	Male	68	TW		3 Years	✓		✓	✓	✓
Independent Director	Tommy S. Chao	Male	47	TW		3 Years	✓		✓		✓

Appendix 2: Directors' education in the last 2 years:

Name	Course date		Organizer	Course name	Course hours	Total hours trained during the year
	From	to				
WeiHsin Ma	2020/10/23	2020/10/23	Taiwan Corporate Governance Association	Director/Supervisor Liabilities and Risk Management Conference by Fubon Insurance	3	6
	2020/04/10	2020/04/10	Taiwan Corporate Governance Association	Audit Transformation and Value Adding - From Big Data Auditing to Smart Risk Dashboard	3	
	2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Global Economic Trends and Opportunities for Taiwan	3	6
	2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Patent Landscape Analysis at Product Development Stage; A.I. Prospects and Application	3	
YuChi Chiao	2020/09/11	2020/09/11	Taiwan Association of Board Governance	Second Board Governance Efficiency Forum	3	9
	2020/10/27	2020/10/27	Taiwan Corporate Governance Association	ESG Trends and Social Responsibility Investment (SRI)	3	
	2020/10/23	2020/10/23	Taiwan Corporate Governance Association	Director/Supervisor Liabilities and Risk Management Conference by Fubon Insurance	3	
TsuKang Yu	2020/07/29	2020/07/29	Chinese National Association of Industry and Commerce, Taiwan	Future Trends of AI in Corporate Digital Transformation	3	6
	2020/04/23	2020/04/23	Taiwan Corporate Governance Association	Augmented Reality Technologies in Smart Manufacturing; Growth of Sino-American Silicon Group through M&A	3	
	2019/11/21	2019/11/21	Taiwan Stock Exchange Corporation	Seminar on Effective Enforcement of Director Duties	3	6
	2019/07/17	2019/07/17	Securities & Futures Institute	2019 Compliance Seminar on Share Transfers by Insiders of Public-listed Companies	3	
Sean Tai	2020/08/06	2020/08/06	Taiwan Corporate Governance Association	New Digital Reality of the Post-pandemic Era; Latest AIoT Trends and Application in Smart Manufacturing	3	9
	2020/08/06	2020/08/06	Taiwan Corporate Governance Association	Evolutionary Algorithms: Evolution of AI; Pursuit for Co-prosperity Multi-generation Leadership	3	
	2020/04/23	2020/04/23	Taiwan Corporate Governance Association	Augmented Reality Technologies in Smart Manufacturing; Growth of Sino-American Silicon Group through M&A	3	
	2019/07/17	2019/07/17	Securities & Futures Institute	2019 Compliance Seminar on Share Transfers by Insiders of Public-listed Companies	3	9
	2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Global Economic Trends and Opportunities for Taiwan	3	
	2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Patent Landscape Analysis at Product Development Stage; A.I. Prospects and Application	3	
TienShang Chang	2020/07/22	2020/07/22	Taiwan Academy of Banking and Finance	Corporate Governance and Sustainable Management Workshop	3	6
	2020/07/21	2020/07/21	Chinese National Association of Industry and Commerce, Taiwan	AML/CTF Regulations and Practices	3	
	2019/11/07	2019/11/07	Taiwan Corporate Governance Association	Boosting Profitability through Innovation in the Digital Era	3	3
Daniel Shih	2020/07/29	2020/07/29	Chinese National Association of Industry and Commerce, Taiwan	Future Trends of AI in Corporate Digital Transformation	3	6
	2020/04/23	2020/04/23	Taiwan Corporate Governance Association	Augmented Reality Technologies in Smart Manufacturing; Growth of Sino-American Silicon Group through M&A	3	
	2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Global Economic Trends and Opportunities for Taiwan	3	6
	2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Patent Landscape Analysis at Product Development Stage; A.I. Prospects and Application	3	
Tommy S. Chao	2020/10/16	2020/10/16	Taiwan Stock Exchange Corporation	Corporate Governance and Business Integrity Seminar for Directors and Supervisors of TWSE-listed Companies 2020	3	6
	2020/05/22	2020/05/22	Accounting Research and Development Foundation of the R.O.C.	Key Amendments of IFRS and Common Defects in Financial Report Preparation	3	

Exhibit 3: Scope of responsibilities of the head of corporate governance, highlights of business operations for the year, and continuing education

- I. Configuration of the position of head of corporate governance: Configured on May 5, 2021.
- II. Appointment of head of corporate governance: He/She shall be a qualified lawyer or CPA or has worked in the managerial position in legal affairs, compliance, Internal Audit, finance, stock affairs, or corporate governance-related positions for at least three years years in compliance with Article 21.
- III. Main responsibilities of the head of corporate governance: To protect shareholder equity and reinforce the function of the Board of Directors, including, without limitation, the following:
 1. Help independent directors and general directors perform their function by providing the required materials and arrange continuing education for them:
 - A. Provide the latest revisions made to and developments of laws and regulations concerning the scope of operation of the Company and corporate governance to the members of the Board of Directors and update them from time to time.
 - B. Review the related information confidentiality class and provide directors with required information about the Company to keep the communications and exchange with heads of respective operations smooth.
 - C. Help and arrange individual meetings between independent directors and the head of internal audit or the CPA in order to know the financial operations in the Company.
 - D. Help independent directors and general directors prepare the annual continuing education program and arrange courses reflective of the characteristics of the industry that the Company is in and the education and experience of the directors.
 2. Help with the procedures, resolutions, and compliance of the Board of Directors' meetings and shareholders' meetings:
 - A. Report to the Board of Directors, independent directors, and Audit Committee operational status of corporate governance and confirm that the shareholders' meetings and Board of Directors' meetings called for are in compliance with applicable laws and corporate governance principles and regulations.
 - B. Help and remind directors of the laws and regulations that they should follow while performing duties or making official decisions of the Board of Directors and adequately providing advice in the Board of Directors' meeting.
 - C. Enclose details about the announcement of important decisions made by the Board of Directors or release of important news in order to ensure the adequacy and correctness of the contents and to protect symmetry of correct trading information provided to investors.
 3. Prepare the Board of Directors' meeting agenda and notify directors of it seven days in advance. Convene the meeting and provide meeting materials. If recusal of interest is required, remind the specific director in advance and complete the meeting minutes within 20 days after the meeting.

4. Register the date of the shareholders' meeting in advance as required by law, prepare the notice, the rules of procedure, the Annual Report, and the minutes of the meeting within the regulatory timeframe and complete change registration after the Articles of Incorporation are revised or after the directors are re-elected.

IV. Continuing education for the head of corporate governance: Configured through the Board of Directors' meeting on May 5 this year and hence no information on continuing education was available yet as of the date this Annual Report was released.

(4) Composition, responsibilities, and functionality of the Remuneration Committee:

(1) Information of Remuneration Committee members:

Identity	Criteria	Has at least five years of relevant working experience and the following professional qualifications			Independence Criteria (Note 1)										Number of positions as Remuneration Committee member in other public companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10		
Name																
Independent Director	TienShang Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Conformed
Independent Director	Daniel Shih			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Conformed	
Independent Director	Tommy S. Chao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Conformed	

Note: Members who meet the following conditions at any time during active duty and two years prior to the date of appointment will have a "V" placed in the corresponding boxes.

- (1) Not employed by the Company or by any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.

- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act local laws).
- (6) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty and is not a spouse to the Company's Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act. .
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

(2) Functionality of the Remuneration Committee:

1. The Company's Remuneration Committee consists of 3 members.

2. Duration of service: from June 14, 2018 to June 13, 2021. The Remuneration Committee held 8 meetings (A) in 2020; details of members' eligibility and attendance are as follows:

Title	Name	Number of in-person attendance (B)	Number of proxy attendance	In-person attendance rate (%) [B/A]	Remarks
Convener	TienShang Chang	8	0	100%	
Committee member	Daniel Shih	8	0	100%	
Committee member	Tommy S. Chao	5	2	63%	

Other mandatory disclosures:

1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee):

Historical date	Contents of the proposal	How decisions and opinions of the members are addressed
2020.01.17 The 8 th meeting of the Fourth Intake	<ol style="list-style-type: none"> Appointment and remuneration of Mr. TSAI Jungtsung as the Vice President of Company's Finance & Accounting Center Managerial performance evaluation for the second half of 2019 Chairman and CEO Year-end Bonus of 2019 Managerial Year-end Bonus of 2019 	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None
March 20, 2020 The 9 th meeting of the Fourth Intake	<ol style="list-style-type: none"> Distribution of the remuneration for employees and that for directors of 2019 Intended revision of the "Compensation and Remuneration Committee Organic Rules" 	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None
May 8, 2020 The 10 th meeting of the Fourth Intake	<ol style="list-style-type: none"> Discussion of Director YANG Yutze of the Audit Office being promoted to be the Assistant Vice President Distribution of the remuneration for directors for 2019 Allocation of 2019 employee remuneration for managers 	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None
August 5, 2020 The 11 th meeting of the fourth intake	<ol style="list-style-type: none"> Allocation of 2019 employee remuneration for managers 	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None
November 5, 2020 The 12 th meeting of the fourth intake	<ol style="list-style-type: none"> Proposal to amend the Company's "Director Salary, Benefit, and Performance Evaluation Policy" 	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None

December 29, 2020 The 13 th meeting of the fourth intake	1. Discussion of the promotion of Special Assistant CHEN Taiyuan at the Product Development Center to be the Assistant Vice President	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None
January 26, 2021 The 14 th meeting of the Fourth Intake	1. Discussion of the 2020 managerial performance evaluation 2. Discussion of Chairman and CEO Year-end Bonus for 2020 3. Please discuss the 2020 managerial year-end bonus. 4. Discussion of Project Director LIU Dingxian at the Chairman's Office being promoted to be the Assistant Vice President	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None
March 19, 2021 The 15 th meeting of the Fourth Intake	1. Discussion of the remuneration for directors and that for employees for 2020. 2. Hiring of the head of audit.	The proposal was approved as is by all attending members and was approved by the Board of Directors. Member Comment: None

2. Should any member object or express reservations to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed:

None.

(3) Functionality of the Remuneration Committee:

According to the Company's "Remuneration Committee Charter," the Remuneration Committee is required to convene meetings at least twice a year. The committee reports to the board of directors, proposes recommendation for discussion in board meetings, and holds the following responsibilities:

- I. Regular review of performance evaluation standards, performance targets, and salary/compensation policy, system, standard, and structure for directors and managers.
- II. Regular assessment of directors' and managers' performance targets and accomplishment, and setting performance indicators and targets based on assessment outcome.
- III. Other responsibilities authorized by the board of directors.

While performing the functions mentioned in the preceding article, the following principles shall be followed:

- I. The director and managerial performance evaluation and compensation and remuneration shall take reference of the general criteria for the payment in the industry and take into consideration the legitimate correlation with personal performance, operational performance of the Company, and risks in the future.
- II. Directors and managers shall not be misled to engage in behavior that exceeds the risk appetite of the Company for the pursuit of their compensation and remuneration.
- III. The ratio of the bonus issued to directors and senior managers for their short-term performance and the payment schedule of some of the variable compensation and remuneration shall take into consideration the characteristics of the industry and the nature of operation of the Company before a decision is made.
- IV. Members of the Committee may not take part in the discussion and voting of a decision on their personal compensation and remuneration.

The so-called compensation and remuneration in the preceding two paragraphs include compensation in cash, stock option, stock bonus, pension benefits or severance pay, a variety of allowances, and other measures with substantial rewards. The scope shall be consistent with the remuneration stated for directors and managers in the Guidelines for Matters to be Included in the Annual Reports of Public Companies.

While discussing suggestions provided by the Compensation and Remuneration Committee, the Board of Directors shall comprehensively take into consideration the value of the compensation and remuneration, the payment method, and risks for the Company in the future, etc.

To not adopt or revise the suggestions provided by the Compensation and Remuneration Committee, it shall be supported by approval of a majority of the attending directors that account for two-thirds or more of all directors and comprehensively take into consideration as indicated in the preceding paragraph in its decision and provide substantial information on whether or not the approved compensation or remuneration is superior to that advised by the Compensation and Remuneration Committee.

If the compensation or remuneration approved by the Board of Directors is superior to that advised by the Compensation and Remuneration Committee, besides specifying the difference and cause in the minutes of the Board of Directors' meeting, such information shall be announced and declared on the information disclosure website designated by the competent authority within two days from the date of approval by the Board of Directors.

For the compensation and remuneration for directors and managers of the subsidiaries of the Company, if approval by the Board of Directors of the Company is required before decisions are made hierarchically, suggestions shall be provided to the Committee first before they are turned into the Board of Directors for discussion.

(5) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
1. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	✓		Corporate governance issues are handled according to internal audit and internal control systems. The Work Safety Office/Human Resources Department manages environmental and social risks through disclosure of corporate social responsibility information. For risk-related disclosures, please see page 99 of this annual report.	No material deviation is found.
2. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?	✓		An Audit Committee and a Remuneration Committee have been assembled under the board of directors to help supervise the internal audit/control system and corporate management. A Work Safety Office has been created directly under the President to oversee environment, safety, and health issues.	No material deviation is found.
3. Environmental issues (1) Has the Company developed an appropriate environmental management system, given its distinctive characteristics? (2) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (3) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues? (4) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy,	✓		The Company devotes significant attention to environmental protection issues, and has adopted relevant measures to support green product management in response to EU's and customers' green product requirements. The Company plans to address the global warming phenomenon through introduction of greenhouse gas reduction/control systems in the future, and will strive to promote sound corporate image and raise competitiveness in the field of environmental protection. 1. Implementation of the ISO14001 Environmental Management System and the ISO45001 Occupational Safety and Health Management System 2. The Company is dedicated to pollution control.	No material deviation is found.

Assessment criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
carbon, greenhouse gas, water and waste?			<p>Ongoing improvements are being made to in-plant air pollution control equipment, as well as emission monitoring, wastewater treatment, and waste disposal processes to mitigate environmental impact.</p> <p>3. The Company organizes energy conservation and resource reuse campaigns to minimize waste and promote recycling and reuse of resources. Meanwhile, employees are encouraged to take part in energy conservation and environmental protection.</p> <p>4. If products contain hazardous substances, they pose threats to the earth, the environment, and human health. As such, the Company introduced QC 080000 in as early as 2011, the management system for procedures involving hazardous substances, which has been qualified and performs monitoring continuously.</p> <p>5. The Company obtained Carbon Footprint Verification Statement in 2013.</p> <p>6. For more detailed information, please visit the CSR section on the Company's website http://www.hannstouch.com.</p>	
<p>4. Social issues</p> <p>(1) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p> <p>(2) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>The Company has developed management systems and measures in accordance with the Labor Standards Act; it also has policies in place to protect employees' interests with respect to job assignment, dismissal, compensation, and performance evaluation.</p> <p>The Company offers reasonable compensation, leave of absence, and welfare at levels that are comparable to peers and compliant with laws. Employees' performance is evaluated on a regular</p>	No material deviation is found.

Assessment criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary (Note 2)	
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		basis, and additional bonuses are paid depending on the Company's business performance and employees' individual performance. The Company organizes operating environment inspections, emergency response drills, self-examinations, environmental safety and health training, and practices plant-wide chemical management at regular intervals as required by law. Protective gears are distributed to employees for use with various operations, and annual plans on work analysis, machinery inspection, emergency response drill, self-examination, medical care, health management etc. are devised and executed for employees' safety.	
(4) Has the Company implemented an effective training program that helps employees develop skills over their career?	✓		1. Internal training: The Company makes yearly plans to bring employees a variety of training courses that are suitable for their career development. Instructors from within or outside the organization are invited to assist employees with skill and career development. Courses can be classified into general categories including orientation, specialist, administration, and compliance. 2. External training: Employees are given opportunities, subject to line managers' recommendation, to participate in training courses organized by external institutions, where they are able to further expand their career vision and improve professional skills to the next level.	
(5) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?		✓	The Company markets and labels its products and services duly in compliance with laws and international standards. The Company expands its CSR philosophy and practices to the supply chain, and works with suppliers to protect the environment and improve the safety and health of employees.	
(6) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health, or work rights/human rights issues, and tracked suppliers' performance on a regular basis?			The Company has not established a supplier management policy, but would adjust supply sources if suppliers violate any of the agreed	

Assessment criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies																				
	Yes	No	Summary (Note 2)																					
			terms.																					
5. Does the Company prepare corporate social responsibility report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?	✓		The Company's corporate social responsibility report has been prepared based on the "core" option of the G4 guidelines introduced by Global Reporting Initiative; it discloses the Company's strategies, philosophy, actions, and performance with respect to corporate social responsibilities. The Company currently has no plan to obtain third-party assurance.	No material deviation is found.																				
6. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established its own corporate social responsibility policy according to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"; there was no deviation in actual governance from policy requirements.																								
7. Other information useful to the understanding of corporate social responsibilities:																								
<ul style="list-style-type: none"> ◆ The "Corporate Social Responsibility Report" can be found in the <u>CSR</u> section on the Company's website http://www.hannstouch.com. ◆ HannsTouch cares for and tends to the voices of different groups of people. It pays close attention to the needs of the society, participates in charity, and provides emergency aid to victims of natural disaster for an inclusive and diverse society. <p>The Company actively addresses the interests of its stakeholders and fulfills corporate social responsibilities. In light of the COVID-19 pandemic, HannsTouch reached out to non-profit organizations such as United Way of Taiwan and The Mustard Seed Mission to donate unclaimed concessions from this year's annual general meeting as a small gesture of relief. 2,000 pieces of scented soap were donated to 9 social welfare organizations as a result.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Name of organization</th> <th>Donated amount</th> </tr> </thead> <tbody> <tr> <td>Ay-Shin TZWU Charity Association Kaohsiung City</td> <td>100</td> </tr> <tr> <td>Yunsen Foundation</td> <td>120</td> </tr> <tr> <td>Foundation Julin Nursing Private Institution in Yilan</td> <td>100</td> </tr> <tr> <td>Taiwan International Workers' Association</td> <td>240</td> </tr> <tr> <td>Taiwan Sunshine Women Association</td> <td>240</td> </tr> <tr> <td>Ping Tung Association of Social Worker</td> <td>200</td> </tr> <tr> <td>The Mustard Seed Mission (Neighbours' Day) - Taipei Bus Station</td> <td>350</td> </tr> <tr> <td>The Mustard Seed Mission (Neighbours' Day) - Kaohsiung Bus Station</td> <td>400</td> </tr> <tr> <td>The Mustard Seed Mission (Neighbours' Day) - Hualien Bus Station</td> <td>250</td> </tr> </tbody> </table>					Name of organization	Donated amount	Ay-Shin TZWU Charity Association Kaohsiung City	100	Yunsen Foundation	120	Foundation Julin Nursing Private Institution in Yilan	100	Taiwan International Workers' Association	240	Taiwan Sunshine Women Association	240	Ping Tung Association of Social Worker	200	The Mustard Seed Mission (Neighbours' Day) - Taipei Bus Station	350	The Mustard Seed Mission (Neighbours' Day) - Kaohsiung Bus Station	400	The Mustard Seed Mission (Neighbours' Day) - Hualien Bus Station	250
Name of organization	Donated amount																							
Ay-Shin TZWU Charity Association Kaohsiung City	100																							
Yunsen Foundation	120																							
Foundation Julin Nursing Private Institution in Yilan	100																							
Taiwan International Workers' Association	240																							
Taiwan Sunshine Women Association	240																							
Ping Tung Association of Social Worker	200																							
The Mustard Seed Mission (Neighbours' Day) - Taipei Bus Station	350																							
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The Mustard Seed Mission (Neighbours' Day) - Hualien Bus Station	250																							

Assessment criteria	Actual governance (Note 1)		Summary (Note 2)	Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
<p>As infections surged in Europe and USA in the first half of the year, the Central Epidemic Command Center (CECC) placed more countries on level 3 alert, causing a spike in demand for quarantine hotels and a shortage of rooms. Furthermore, due to the difference in needs between European/American business travelers and general tourists, the CECC called for an expansion of quarantine hotels.</p> <p>As the pandemic escalated, some European and American schools suspended classes or transitioned toward online instruction, causing more overseas students to return to the home country. Combined with the fact that business travelers were still coming into Taiwan, there was a need to prepare hotels for incoming visitors who have been instructed to serve quarantine notice. In an attempt to accommodate the large number of travelers serving quarantine notice and prevent them from compromising epidemic control, Taipei City Government acted ahead of time and coordinated with the Department of Information and Tourism, Department of Health, Department of Environmental Protection, and Police Department to introduce quarantine hotels, which made Taipei the nation's first city to develop a full-fledged quarantine hotel system. Hanns House, a hotel located at the heart of Xinyi District and run by one of HannsTouch's business investments - Glorystone Inc., targets elite business travelers and had just commenced trial operation at the end of 2019; due to the fact that its facilities conformed with the requirements of a quarantine hotel, Hanns House responded to the government's first call and signed up as Taipei City's first publicly named quarantine hotel, taking part in the care for public health. After one week of counseling, Hanns House was certified by relevant authority for conformity with quarantine hotel SOP and related standards, and offered 100 guest rooms to accommodate quarantined travelers.</p> <p>By the end of 2020, Hanns House had accommodated more than one thousand travelers through their 14-day quarantine.</p> <p>Hanns House appreciates all employees and business partners for their relentless support to the nation's epidemic control efforts. They have shown compassion for the quests and proven themselves capable of upholding service quality and attending to details while delivering top-quality experience under such a desperate time. Their contributions and efforts have earned Hanns House a Commemorative Medal of Epidemic Control in August 2020.</p>				

(6) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>1. Establishment of integrity policies and solutions</p> <p>(1) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?</p> <p>(2) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(3) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?</p>	✓		<p>(1) The Company's "Work Rules" and "Director and Manager Ethics Guidelines" outline codes and behavioral guidelines for maintaining business secrets. Meanwhile, employees and directors are urged to perform their duties strictly in accordance with integrity principles.</p> <p>(2) Avoidance of directors' involvement in conflicting interest discussions has been outlined in "Board of Directors Conference Rules" and is being duly enforced. Duty of confidentiality, fairness of information disclosure, and penalty for violations have been outlined in "Material Insider Information Handling and Insider Transaction Prevention Procedures."</p> <p>(3) The Company has established effective accounting policies and internal control system to enforce business integrity throughout the organization. Internal auditors are assigned to conduct regular audits to ensure compliance of the abovementioned policies/system.</p>	No material deviation is found.
<p>2. Enforcement of business integrity</p> <p>(1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(2) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?</p> <p>(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of</p>	✓		<p>(1) Most contracts signed between the Company and vendors contain integrity and anti-commission clauses, which the counterparties are instructed to comply.</p> <p>(2) The Company currently does not have any unit that specializes (or is involved) in business integrity management; instead, business integrity is managed by individual departments within their respective duties and guidelines.</p> <p>(3) The Company has stakeholders' contact</p>	No material deviation is found.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>conflicting interests?</p> <p>(4) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?</p> <p>(5) Does the Company organize internal or external training on a regular basis to maintain business integrity?</p>			<p>information and e-mail address published on website, which insiders and outsiders may use to express opinions or reflect issues to the Company or the management, whether anonymously or named.</p> <p>(4) The Company has robust accounting policies and internal control system in place, and assigns internal auditors to design and execute comprehensive audits over internal systems on a yearly basis, thereby ensure that policy design and execution remain effective over time. Outcomes of the internal audit are reported to the board of directors.</p> <p>(5) The Company promotes employees' awareness on professional ethics and business integrity on a regular basis, and demands strict compliance with relevant rules.</p>	
<p>3. Whistleblowing system</p> <p>(1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?</p> <p>(2) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?</p> <p>(3) Does the Company have appropriate measures in place to protect whistleblowers from retaliation?</p>	✓		<p>(1) The Company has introduced a reward/disciplinary system as part of its "Work Rules," and details of which have been conveyed to employees. Grievance mailboxes have been set up at the Audit Office and on the Company's website, which insiders and outsiders may use to report any conduct in violation of integrity principles.</p> <p>(2) All reports and investigations of misconduct are handled in strict confidentiality and in a manner that protects the privacy of all parties involved.</p> <p>(3) The Company handles all misconduct reports in the utmost fairness, honesty, and confidentiality; measures are taken to prevent unfair treatment or retaliation against the parties involved.</p>	No material deviation is found.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
4. Enhanced information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS?	✓		The Company has not disclosed business integrity code of conduct and progress on its website or on Market Observation Post System, but does disclose the progress of its integrity management efforts in annual reports.	No material deviation is found.
5. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company plans to develop its own Business Integrity Code of Conduct and Business Integrity Procedures and Behavioral Guidelines and present them for discussion at board of directors meeting before the end of 2021. These policies will support the underlying values of Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and serve as guidance to all employees. No material deviation is found.				
6. Other information relevant to understanding the Company's business integrity: (e.g. review of business integrity principles) None				

(7) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company has not established its own Corporate Governance Code of Conduct, but does have other similar policies in place. Furthermore, the Company prepares corporate social responsibility reports and places them on website where shareholders may access at any time: <http://www.hannstouch.com>.

(8) Other important information material to the understanding of corporate governance within the Company:

1. The Company has established a set of "Material Insider Information Handling and Insider Transaction Prevention Procedures" to serve as guidance over how material insider information should be handled and disclosed, thereby preventing improper leakage of information while ensuring consistency and accuracy of information disclosed to the public. These procedures have been posted onto intranet and internet websites, where employees may access for their own compliance.
2. With regard to the Company's "Board member diversification policy and implementation", "continuing education for the board directors in the past two years", and "scope of function of the head of corporate governance, highlights of operations for the year and continuing education", refer to Paged 38 to 39 of this Annual Report.
3. Market Observation Post System: <http://mops.twse.com.tw>
4. Company website: <http://www.hannstouch.com>

(9) Internal control:

1. Declaration of Internal Control System:

HannsTouch Solution Inc.

Declaration of Internal Control System

Date: March 19, 2021

The following declaration has been made based on the 2020 self-assessment of the Company's internal control system:

1. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the board of directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance and efficiency (including profitability, performance, asset security etc), reliable, timely, and transparent financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether the existing system continues to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2020. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Declaration was approved at the meeting of the Company's Board of Directors on March 19, 2021 with no directors expressing dissent out of the 7 directors in attendance (including through proxies). All agreed on the contents of this Declaration. Please take note of this Declaration.

HannsTouch Solution Incorporated

Chairman: Wei Hsin Ma (signature/seal)

President: Jinxiang Wen (signature/seal)

2. If the internal control system was reviewed by an external CPA, the result of such review must be disclosed: None.

(10) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system, in the most recent year up till the publication date of annual report that may significantly impact shareholders' interest or security price; describe details of the penalty, areas of weakness and any corrective actions taken: None

(11) Major resolutions passed in shareholder meetings and board of directors' meetings held in the last year up till the publication date of this annual report:

Major resolutions passed in annual general meetings and the execution progress:

Date	Major resolutions and execution
2020.06.16 Annual general meeting	<p>Acknowledgments:</p> <p>1. Acknowledgment of 2019 business report and financial statements. Resolution and execution: acknowledged. Announced on MOPS.</p> <p>2. Acknowledgment of loss reimbursement and reporting of cash dividend distribution for 2019. Resolution and execution: acknowledged. Announced on MOPS.</p>
	<p>Discussions:</p> <p>1. Proposal to issue common shares for cash through private placement, public offering, or a combination of both Resolution and execution: Passed cash issue at NT\$700 million. The application has not been submitted to the competent authority to date and hence it is reported in the Board of Directors' meeting on March 19, 2021 not to continue for the remainder of the period and it was brought forth as a new case for discussion.</p> <p>2. Proposal to amend the Company's "Asset Acquisition and Disposal Procedures" Resolution and execution: passed. Executed according to the amended procedures.</p> <p>3. Proposal to amend the Company's "Lending, Guarantee and Endorsement Procedures." Resolution and execution: passed. Executed according to the amended procedures.</p> <p>4. Proposal to amend the Company's "Shareholders Conference Rules." Resolution and execution: passed. Executed according to the amended conference rules.</p>

Major board of directors resolutions and execution:

Date/session	Major resolutions	Objections or reservations from independent directors	Conditions described in Article 14-3 of the Securities and Exchange Act
2020.01.17 12th meeting of the 8th board	<p>1. Proposal to apply for credit facilities with financial institutions</p> <p>2. Proposal of the Company's 2020 business plan</p> <p>3. Appointment of Mr. Jung-Tsung Tsai as Vice President for the Company's Finance and Accounting Center, and salary-setting</p> <p>4. Proposal to remove restrictions imposed against the Company's managers for involving in competing businesses</p> <p>5. Proposal to appoint Mr. Jung-Tsung Tsai as the Company's head of finance</p> <p>6. 2019 second-half performance evaluation for managers of the Company</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>	<p></p> <p></p> <p></p> <p>✓</p> <p>✓</p> <p></p> <p>✓</p>

Date/session	Major resolutions	Objections or reservations from independent directors	Conditions described in Article 14-3 of the Securities and Exchange Act
	7. 2019 year-end bonus for Chairman and CEO of the Company 8. 2019 year-end bonus for managers of the Company	None	
March 20, 2020 13th meeting of the 8th board	1. Presentation of the Company's 2019 business report and financial statements 2. Declaration on Internal Control based on the findings from the internal control self assessment of 2019 3. Allocation of 2019 employee remuneration and director remuneration 4. Appropriation of 2019 earnings 5. Proposal to issue common shares for cash through private placement, public offering, or a combination of both 6. Proposal to lend capital to Glorystone Inc. 7. Appointment of CPA and assessment of auditor's independence for 2020 8. Proposal to amend the Company's "Internal Control System" and "Internal Audit Implementation Rules" 9. Proposal to amend the Company's "Asset Acquisition and Disposal Procedures" 10. Proposal to amend the Company's "Lending, Guarantee and Endorsement Procedures" 11. Proposal to amend the Company's "Audit Committee Charter" 12. Proposal to amend the Company's "Remuneration Committee Charter" 13. Proposal to amend the Company's "Shareholders Conference Rules" 14. Proposal to amend the Company's "Board of Directors Conference Rules" 15. Details of the 2020 annual general meeting and matters concerning shareholders' right of motion proposal	None None None None None None None None None None None None None None None	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓
May 8, 2020 14th meeting of the 8th board	1. Application for public offering and listing of the Company's common shares that were previously issued through private placement 2. Proposal to apply for credit facilities with financial institutions 3. Intended revision of some of the articles in the Internal Control System regarding "criteria and regulations of the internal control system of the service unit" 4. Discussion to promote Yu-Tze Yang of the Audit Office to Assistant Vice President 5. Allocation of 2019 director remuneration 6. Allocation of 2019 employee remuneration for managers	None None None None None None	✓ ✓ ✓ ✓
August 5, 2020 15th meeting of the 8th board	1. To determine the baseline date and payment date for cash dividends in the second half of 2019 2. Appropriation of 2020 first-half earnings 3. Renewal of director liability insurance for 2020 4. Proposal to apply for medium/long term credit facilities with financial institutions 5. Proposal to apply for credit facilities with financial institutions 6. Allocation of 2019 employee remuneration for managers	None None None None None None	✓ ✓
November 5, 2020	1. Amendment to the Company's "Approval Authority Principles"	None	✓

Date/session	Major resolutions	Objections or reservations from independent directors	Conditions described in Article 14-3 of the Securities and Exchange Act
16th meeting of the 8th board	<ul style="list-style-type: none"> 2. Establishment of the Company's 2021 audit plan 3. Establishment of the Company's "Corporate Governance Code of Conduct" 4. Proposal to apply for credit facilities with financial institutions 5. Proposal to dispose 1F, 2F, and 3F of the Company's plant in Southern Taiwan Science Park 6. Proposal to amend the Company's "Director Salary, Benefit, and Performance Evaluation Policy" 	None None None None None	✓ ✓
December 29, 2020 The 17 th meeting of the Eighth Intake	<ul style="list-style-type: none"> 1. Intended acquisition of common stock shares of HannStar Display Corporation 2. Intended stipulation of the 2021 Operation Plan 3. Discussion of the promotion of Special Assistant CHEN Taiyuan at the Product Development Center to be the Assistant Vice President 	None None None	✓
January 26, 2021 The 18 th meeting of the Eighth Intake	<ul style="list-style-type: none"> 1. Intended acquisition of shares and equity funds from the open market to serve as short-term investments 2. Intended application for the limits of loans with financial institutions 3. 2020 Managerial performance evaluation 4. Chairman and CEO Year-end Bonus of 2020 5. Managerial Year-end Bonus of 2020 6. Promotion of Project Director LIU Dingxian at the Chairman's Office to be the Assistant Vice President 	None None None None None None	
March 19, 2021 The 19 th meeting of the Eighth Intake	<ul style="list-style-type: none"> 1. 2020 Business Report and Financial Statements 2. Declaration on Internal Control based on the findings from the internal control self assessment of 2020 3. Distribution of the remuneration for employees and that for directors of 2020 4. 2020 Distribution of Earnings 5. Intended capital increase in cash for issuance of common stock through private placement or public offering or the combination of the two 6. 2021 CPA assignment and independence assessment 7. Intended acquisition of shares and equity funds from the open market to serve as short-term investments 8. Intended lending of funds to Glorystone Inc. 9. Intended application for the limits of loans with financial institutions 10. Appointment of the head of audit 11. Appointment of the head of finance 12. Intended revision of the "internal control system" and "Internal Audit Enforcement Rules". 13. Intended revision to the Board Directors Election Regulations 14. Intended revision to the Rules of Procedure for Shareholders' Meetings 15. Comprehensive re-election of board directors 16. Nomination of director candidates for the ninth intake (including independent directors) 	None None None None None None None None None None None None None None None None	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

Date/session	Major resolutions	Objections or reservations from independent directors	Conditions described in Article 14-3 of the Securities and Exchange Act
	17. Intended lifting of the non-competition pledge obligations upon the newly elected directors of the ninth intake. 18. Related matters concerning the convening of the 2021 general shareholders' meeting		

(12) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up till the publication date of this annual report: None

(13) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, corporate governance officer, or head of R&D in the most recent year up till the publication date of annual report:

Title	Name	Date onboard	Date departed	Reasons for resignation or departure
Head of Finance	Yi-Fang Luo	2019.11.06	2020.01.17	Job rotation
Head of Internal Audit	YANG Yutze	2019.07.19	2021.03.19	Departmental Transfer
Head of Finance	TSAI Jungtsung	2020.01.17	2021.03.31	Group transferred

5. Disclosure of audit fees

Name of accounting firm	Name of CPA		Audit period
PwC Taiwan	Ching- Chang Chen	Kevin Lin	2020.01.01-2020.12.31

Unit: NTD thousands

Amount range		Fee category	Auditing fee	Non-auditing fee	Total
1	Below NT\$2,000,000		—	233	233
2	NT\$2,000,000 (inclusive) - NT\$4,000,000		2,600	—	2,600
3	NT\$4,000,000 (inclusive) - NT\$6,000,000		—	—	—
4	NT\$6,000,000 (inclusive) - NT\$8,000,000		—	—	—
5	NT\$8,000,000 (inclusive) - NT\$10,000,000		—	—	—
6	NT\$10,000,000 and above		—	—	—

- (1) Disclosure of audit fee and non-audit fee paid to the auditor, accounting firm, and affiliated companies, and details of non-audit services:

Unit: NTD thousands

Name of accounting firm	Name of CPA	Auditing fee	Non-auditing fee					Period of audit service	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
PwC Taiwan	Ching-Chang Chen Kevin Lin	2,600	-	51	182	-	233	2020.01.01~ 2020.12.31	

- (2) Change of accounting firm that resulted in the reduction of audit fee from the previous year; disclose audit fee before and after the change and the cause of such change: None

- (3) Any reduction in audit fee by more than 10% compared to the previous year; state the amount, the percentage and reason of such variation: None

6. Change of CPA: The Company's CPAs were not replaced in 2020. As part of the internal organizational adjustment of the accounting firm, CPAs for the audit (review and approval) will be changed from CHEN Jinchang and LIN Junyao to CHEN Jinchang and LIAO Fuming starting in 2021.

7. Disclosure of any of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the CPA's firm or any of its affiliated company in the last year, including their names, job titles, and the periods during which they were employed by the CPA's firm or any of its affiliated company: None.

8. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest in the last year, up till the publication date of this annual report:

(1) Change of shareholding of directors, supervisors, managers and major shareholders:

Unit: shares

Title	Name	2020		2021 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman/CEO	WeiHsin Ma	203,000	0	0	0
Director	Hua Li Investment Corporation	0	0	0	0
	Representative: YuChi Chiao	0	0	0	0
Director	TsuKang Yu	0	0	0	0
Director	Sean Tai	0	0	0	0
Independent Director	TienShang Chang	0	0	0	0
Independent Director	Daniel Shih	0	0	0	0
Independent Director	Tommy S. Chao	0	0	0	0
President	WEN Jinxiang	0	0	0	0
Vice President Head of Finance	Jung-Tsung Tsai (Note 5)	0	0	0	0
Assistant Vice President	Lien-Hsiang Chiang	0	0	0	0
Assistant Vice President	Po-Chiang Huang (Note 4)	0	0	0	0
Assistant Vice President	Yu-Tze Yang (Note 1)	0	0	0	0
Assistant Vice President	CHEN Taiyuan (Note 2)	0	0	0	0
Assistant Vice President Head of Finance	LIU Dingxian (Note 3)	NA	NA	0	0
Head of accounting	Che-Chia Chang	0	0	0	0
Major shareholder	HannStar Display Corporation	0	0	0	0

Note 1: May 8, 2020 Ms. YANG Yutze was promoted to be the Assistant Vice President.

Note 2: December 29, 2020 CHEN Taiyuan was promoted to be the Assistant Vice President of the Product Development Center.

Note 3: January 26, 2021 LIU Dingxian was promoted to be the Assistant Vice President. And succeeded as the head of finance on April 1, 2021.

Note 4: HUANG Pochiang resigned on February 17.

Note 5: TSAI Jungtsung group transferred on April 1, 2021.

(2) Transfer of shares by directors, supervisors, managers, and major shareholders to related parties: None.

(3) Pledge of shares by directors, supervisors, managers and major shareholders to related parties: None.

9. Relationships characterized as spouse or second-degree relatives or closer among top-ten shareholders:

April 19, 2021; unit: thousand shares; %

Name	Shares held in own name		Shares held by spouse and underage children		Shares held in the names of others		Names and relationships of top-10 shareholders characterized as spouse or relative of second degree or closer		Remarks
	No. of shares	Shareholding percentage %	No. of shares	Shareholding percentage %	No. of shares	Shareholding percentage %	Name	the Company	
HannStar Display Corporation	214,639	26.60	-	-	-	-	Hua Li Investment Corporation	Parent company of HUALI Investment Corp.	None
Hua Li Investment Corporation	59,440	7.37	-	-	-	-	HannStar Display Corporation	Subsidiary of HannStar Display Corporation	None
Investment account of Kaitou Asset Holding Co., Ltd. in the trusteeship of Yuanta Bank	19,485	2.41	-	-	-	-	None	None	None
YuChi Chiao	10,741	1.33	4,699	0.58	-	-	Hua Li Investment Corporation HannStar Display Corporation WeiHsin Ma	Chairman of Huali Investment Chairman of HannStar Display Corporation Spouse	None
Vanguard Emerging Markets Emerging Markets Stock Index Fund Account in the trusteeship of Chase Bank	7,036	0.87					None	None	
Advanced Star Composite International Stock Index in the trusteeship of Chase Bank	5,980	0.74	-	-	-	-	None	None	None
JP Morgan in the trusteeship of JPMorgan Chase Bank, N. A. Taipei Branch	5,786	0.72	-	-	-	-	None	None	None
WeiHsin Ma	4,699	0.58	10,741	1.33	-	-	HannStar Display Corporation YuChi Chiao	Director of HannStar Spouse	None
Norges Bank Investment Account in the trusteeship of Citibank	4,564	0.57					None	None	
HUANG Gaolin	4,500	0.56					None	None	None

10. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties:

March 31, 2021; unit: thousand shares; %

Business investments (Note 1)	Held by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage
Richest Investment Ltd.	4,500	100.00%	0	0%	4,500	100.00%
Golden Apple Investment Corporation	15,000	100.00%	0	0%	15,000	100.00%
Glorystone Inc.	22,000	42.31%	0	0%	22,000	42.31%

Note 1: Long-term investment accounted by the Company using the equity method.

Four. Capital Overview

1. Capital and outstanding shares

(1) Source of capital:

Year / month	Issued price NTD	Authorized capital		Paid-up capital		Remarks		
		No. of shares (thousand shares)	Amount (NTD thousand)	No. of shares (thousand shares)	Amount (NTD thousand)	Sources of share capital	Paid in properties other than cash	Others
1999.09	10	80,000	800,000	20,000	200,000	Initial share capital	None	Jing-(088)-Shang-088135069 dated September 18, 1999
1999.11	10.2	80,000	800,000	79,880	798,800	Cash issue 5,880,000 shares	Technology in lieu of capital	Jing-(089)-Shang-089106477 dated March 3, 2000
2000.03	12	400,000	4,000,000	160,000	1,600,000	Cash issue 801,200	None	Jing-(089)-Shang-089110824 dated April 13, 2000
2000.10	15	400,000	4,000,000	360,000	3,600,000	Cash issue 2,000,000	None	Jing-(089)-Shang-089140240 dated October 31, 2000
2001.12	20	600,000	6,000,000	400,000	4,000,000	Cash issue 400,000	None	(90)-Tai-Cai-Zheng-(1)-160107 dated September 26, 2001
2003.07	10	800,000	8,000,000	506,896	5,068,965	Capitalization of retained earnings NT\$668,965,000 (includes employee profit sharing of NT\$68,965,520) Capitalization of capital reserves NT\$400,000,000	None	Jing-Shou-Shang-09201206040 dated July 10, 2003
2003.07	15.3	800,000	8,000,000	520,009	5,200,098	Corporate bond conversion 131,133,000	None	Jing-Shou-Shang-09201222990 dated July 24, 2003
2003.10	15.3	800,000	8,000,000	610,672	6,106,724	Corporate bond conversion 906,626,000	None	Jing-Shou-Shang-09201303500 dated October 29, 2003
2004.01	15.3	800,000	8,000,000	612,933	6,129,333	Corporate bond conversion 22,609,000	None	Jing-Shou-Shang-09301000850 dated January 8, 2004
2004.05	15.3	800,000	8,000,000	615,194	6,151,942	Corporate bond conversion 22,609,000	None	Jing-Shou-Shang-09301077870 dated May 3, 2004
2004.07	15.3	1,500,000	15,000,000	617,455	6,174,552	Corporate bond conversion 22,610,000	None	Jing-Shou-Shang-09301135650 dated July 29, 2004
2004.07	10	1,500,000	15,000,000	715,045	7,150,452	Capitalization of retained earnings NT\$514,500,000 (includes employee profit sharing of NT\$53,100,000) Capitalization of capital reserves NT\$461,400,000	None	Tai-Cai-Zheng-I-0930119916 dated May 12, 2004
2005.04	13.21	1,500,000	15,000,000	717,664	7,176,634	Corporate bond conversion 26,182,000	None	Jing-Shou-Shang-09401072470 dated April 27, 2005
2005.09	10	1,500,000	15,000,000	844,930	8,449,295	Share exchange for merger with Sintek Photronic 1,272,661,000	Share exchange for merger	Jing-Shou-Shang-09401184100 dated September 26, 2005
2005.11	10	1,500,000	15,000,000	927,694	9,276,939	Capitalization of retained earnings NT\$470,122,000 (includes employee profit sharing of NT\$41,095,000) Capitalization of capital reserves NT\$357,522,000	None	Jing-Shou-Shang-09401220820 dated November 3, 2005
2008.08	10	1,500,000	15,000,000	612,277	6,122,780	Capital reduction against previous losses NT\$3,154,159,000	None	Approved under Letter No. Nan-Shang-0970019225 dated August 15, 2008
2008.12	10	1,500,000	15,000,000	603,574	6,035,739	Retirement of treasury stock NT\$87,041,000	None	Nan-Shang-0970029660 dated December 9, 2008

Year / month	Issued price NTD	Authorized capital		Paid-up capital		Remarks		
		No. of shares (thousand shares)	Amount (NTD thousand)	No. of shares (thousand shares)	Amount (NTD thousand)	Sources of share capital	Paid in properties other than cash	Others
2009.10	10	1,500,000	15,000,000	663,589	6,635,897	Capitalization of retained earnings NT\$403,366,000 Capitalization of capital reserves NT\$196,792,000	None	Nan-Shang-0980024351 dated October 26, 2009
2009.12	16	1,500,000	15,000,000	843,589	8,435,897	Cash issue NT\$ 1,800,000,000	None	Nan-Shang-0980028141 dated December 23, 2009
2010.01	10	1,500,000	15,000,000	860,694	8,606,948	Exercise of employee warrant NT\$ 171,051,000	None	Nan-Shang-0990001179 dated January 26, 2010
2010.04	10	1,500,000	15,000,000	871,068	8,710,688	Exercise of employee warrant NT\$ 103,740,000	None	Nan-Shang-0990006712 dated April 13, 2010
2010.07	10	1,500,000	15,000,000	878,513	8,785,138	Exercise of employee warrant NT\$ 74,450,000	None	Nan-Shang-0990015501 dated July 15, 2010
2010.10	10	1,500,000	15,000,000	878,587	8,785,878	Exercise of employee warrant NT\$ 740,000	None	Nan-Shang-0990022844 dated October 15, 2010
2011.01	10	1,500,000	15,000,000	878,757	8,787,578	Exercise of employee warrant NT\$ 1,700,000	None	Nan-Shang-1000000582 dated January 11, 2011
2011.04	10	1,500,000	15,000,000	881,270	8,812,708	Exercise of employee warrant NT\$ 25,130,000	None	Nan-Shang-1000007718 dated April 7, 2011
2011.07	10	1,500,000	15,000,000	883,951	8,839,508	Exercise of employee warrant NT\$ 26,800,000	None	Nan-Shang-1000017076 dated July 8, 2011
2014.08	10	1,500,000	15,000,000	1,165,641	11,656,408	Private placement of common shares NT\$ 2,816,900,000	None	Nan-Shang-1000017076 dated July 8, 2014
2015.08	10	1,500,000	15,000,000	736,949	7,369,485	Capital reduction against previous losses NT\$4,286,923,000	None	Nan-Shang-1040021120 dated August 24, 2015
2019.10	13.5	2,000,000	20,000,000	806,949	8,069,485	Cash issue NT\$ 700,000,000	None	Nan-Shang-1080028194 dated October 16, 2019

April 19, 2021; unit: shares

Share category	Authorized capital				
	Outstanding shares			Unissued shares	Total
Common shares	Listed	Unlisted	Total	1,193,051,471	2,000,000,000
	806,948,529	0	806,948,529		

©The 178,091,770 common shares privately placed in 2014 have been publicly offered following Financial Supervisory Commission's acknowledgment on August 4, 2020, and were listed for trading on August 11, 2020.

Information relevant to the aggregate reporting policy: Not applicable.

(2) Shareholders structure:

April 19, 2021

Count \ Shareholders	Government institutions	Financial institutions	Other juridical persons	Individuals	Foreign institutions and foreigners	Total
Persons	0	8	257	72,287	111	72,663
Shares held (shares)	0	3,704,577	278,875,972	447,645,455	76,722,525	806,948,529
Shareholding percentage %	0	0.46	34.56	55.47	9.51	100.00

(3) Diversity of ownership:

1. Common shares:

Face value: NT\$10; April 19, 2021

Shareholding range	Shareholder count	Number of shares held	Shareholding percentage %
1 to 999 shares	31,246	6,429,548	0.80
1,000 to 5,000 shares	26,876	62,478,457	7.74
5,001 to 10,000 shares	7,278	557,652,558	7.14
10,001 to 15,000 shares	2,077	26,399,731	3.27
15,001 to 20,000 shares	1,585	29,777,868	3.69
20,001 to 30,000 shares	1,151	29,641,626	3.67
30,001 to 40,000 shares	610	21,903,893	2.71
40,001 to 50,000 shares	395	18,584,533	2.30
50,001 to 100,000 shares	691	50,643,523	6.28
100,001 to 200,000 shares	270	38,792,823	4.81
200,001 to 400,000 shares	134	37,264,421	4.62
400,001 to 600,000 shares	40	19,748,213	2.45
600,001 to 800,000 shares	14	9,557,353	1.18
800,001 to 1,000,000 shares	9	8,188,391	1.02
1,000,001 shares and above	35	389,885,591	48.32
Total	72,663	806,948,529	100.00

2. Preferred shares: none

(4) List of major shareholders:

April 19, 2021; unit: shares

Name of major shareholder	Shares	Number of shares held	Shareholding percentage %
HannStar Display Corporation		214,639,413	26.5989
Hua Li Investment Corporation		59,439,784	7.3660
Investment account of Kaitou Asset Holding Co., Ltd. in the trusteeship of Yuanta Bank		19,485,000	2.4147
YuChi Chiao		10,741,374	1.3311
Vanguard Emerging Markets Emerging Markets Stock Index Fund Account in the trusteeship of Chase Bank		7,036,115	0.8719
Advanced Star Composite International Stock Index in the trusteeship of Chase Bank		5,980,304	0.7411
JP Morgan in the trusteeship of JPMorgan Chase Bank, N. A. Taipei Branch		5,785,525	0.7170
WeiHsin Ma		4,698,825	0.5823
Norges Bank Investment Account in the trusteeship of Citibank		4,564,267	0.5656
HUANG Gaolin		4,500,000	0.5577

(5) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years:

Unit: NTD

Item		Year	2019	2020	Year-to-date March 31, 2021
Market price per share	High		16.80	14.05	12.15
	Low		6.92	8.05	9.35
	Average		12.88	10.49	10.90
Net worth per share	Before dividend		11.62	11.70	—
	After dividend (Note 1)		11.27	11.31	—
EPS	Weighted average outstanding shares (in thousands)		753,916	806,949	—
	EPS		1.35	0.43	—
Dividends per share	Cash dividends		0.35	0.39	—
	Stock dividends	From earnings	—	—	—
		From capital reserves	—	—	—
	Cumulative unpaid dividends		—	—	—
Analysis of investment returns	P/E ratio (Note 2)		9.54	24.40	—
	Price to dividend ratio (Note 3)		36.80	26.90	—
	Cash dividend yield (Note 4)		0.0272	0.0372	—

Note 1: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's shareholders meeting is presented in the table.

Note 2: P/E ratio = average closing price per share for the year / earnings per share.

Note 3: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 4: Cash dividend yield = cash dividends per share / average closing price per share for the current year.

(6) Dividend policy and execution:

1. Dividend policy stated in the Company's Articles of Incorporation:

According to the Company's Articles of Incorporation:

Article 30 Earnings concluded in a year are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserves. However, no further provision of legal reserve is required if the Company has accumulated legal reserves to an amount equal to paid-up capital. Any earnings remaining shall be added to undistributed earnings carried from previous years and distributed as shareholder dividends or retained at the Board of Directors' proposal, subject to resolution in a shareholders' meeting. The Company may distribute all or part of its dividends, profits, capital reserves or legal reserves in cash, provided that such decision is resolved in a board meeting with at least two-thirds of directors present, supported by more than half of attending directors, and reported during a shareholders' meeting afterwards. These decisions do not require the shareholders' meeting resolution mentioned in the preceding Paragraph.

The Company may distribute earnings or reimburse losses at the end of each half-year, subject to compliance with The Company Act. Before interim earnings distribution, the Company shall estimate and retain the amount of taxes payable, reimburse previous losses, and make provisions for legal reserve as required by law. However, this excludes circumstances where legal reserves have accumulated to an amount equal to paid-up capital. Earnings distribution in cash is subject to board of directors' approval; distribution through issuance of new shares is subject to shareholders' resolution.

Article 31 The Company may choose to distribute all distributable earnings of the current year after

taking into account financial, business, and operational factors. Earnings can be distributed in the form of cash dividend, stock dividend, or a combination of both, provided that the cash portion amounts to no less than 20% of total dividends (cash plus stock) in the current year.

The Company may capitalize all or part of its capital reserves into share capital, subject to compliance with laws and the authority's instructions, in situations where the Company has no earning to distribute in the current year, or if the amount of earnings is far less than the amount distributed in the previous year, or for whatever financial, business, and operational concerns the Company may have.

2. Dividend distribution resolved by board of directors and proposed for discussion in the upcoming shareholder meeting: On March 19, 2021, the Board of Directors decided to distribute NTD 0.39 per share as the cash dividend for shareholders of 2020. The combined value of the shares distributed was NTD 314,709,926.00. NTD 0 distributed as share dividend for shareholders. The above will be introduced in the 2021 General Shareholders' Meeting.

3. Expected change in dividend policy: None

(7) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable as no stock dividend was proposed

(8) Employee/director/supervisor remuneration:

1. Percentage and range of employee/director/supervisor remuneration stated in the Articles of Incorporation:

Pursuant to the Articles of Incorporation, profits concluded by the Company are subject to employee remuneration of 0.001% to 15%, and director remuneration of no more than 2%. However, profits must first be taken to offset against cumulative losses if any.

The board of directors may resolve to distribute the abovementioned employee remuneration in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria set forth by the board of directors or authorized parties thereof. The above director remuneration can only be paid in cash.

2. Basis of calculation for employee/director/supervisor remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

Employee and director remuneration have been estimated according to the Articles of Incorporation, at 0.001% to 15% for employee remuneration and no more than 2% for director remuneration. These amounts were distinguished between operating costs and operating expenses, and presented in appropriate accounts depending on their nature. If an amount different from the figure presented on financial statements is resolved in a subsequent shareholder meeting, the difference shall be treated as a change in accounting estimates and recognized as gain or loss in the year the resolution is made.

3. Remuneration passed by the board of directors:

(3) Remuneration for employees and that for directors/supervisors distributed in cash or stock: NTD 25,020,244.00 for employees and NTD 6,000,000.00 for directors were distributed for 2020.

(3) Ratio of the value of remuneration for employees distributed in stock and the sum of after-tax income and total value of remuneration for employees in the entity or individual financial statement of the current term: not applicable.

4. Actual payment of employees'/directors'/supervisors' remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies):

The Company paid NT\$59,363,779 of employee remuneration and NT\$17,128,187 of director remuneration in 2019, which were indifferent from the amounts previously recognized. For 2020, NTD 25,020,244.00 for employees and NTD 6,000,000.00 for directors were distributed; they did not differ from the values recognized.

(9) Buyback of the Company's shares: None had occurred in the last year up till the publication date of annual report.

2. Corporate bonds (including offshore corporate bonds):

Corporate bond category	2017 first domestic private placement of unsecured ordinary corporate bonds	
Issuance date	November 28, 2017	
Face value	NT\$10,000,000 per lot	
Place of issuance and trade	The Republic of China	
Issued price	Issued at 100% of face value	
Total value	NT\$1,800,000,000; distinguished between Tranche A, Tranche B, and Tranche C by coupon interest. Tranche A: Issued for a total of Three Hundred Million New Taiwan Dollars Tranche B: Issued for a total of Six Hundred Million New Taiwan Dollars Tranche C: Issued for a total of Nine Hundred Million New Taiwan Dollars	
Interest rate	Tranche A: Fixed at 2.1% per annum Tranche B: Fixed at 2.2% per annum Tranche C: Fixed at 2.3% per annum	
Tenor	Tranche A: 2 years (maturity date: November 28, 2019) Tranche B: 3 years (maturity date: November 28, 2020) Tranche C: 5 years (maturity date: November 28, 2022)	
Guarantor	Not applicable	
Trustee	Transfer Agency Department of CTBC Bank Co., Ltd. has been commissioned to handle principal and interest repayments.	
Underwriter	Not applicable	
Certifying lawyer	Not applicable	
Certifying accountant	Not applicable	
Method of repayment	Bullet payment at maturity	
Outstanding principal	NT\$900,000,000 (Tranches A and B were recalled and retired prior to maturity in October 2019 and August 2020, respectively)	
Terms and conditions for early redemption or repayment	The Company may exercise its right to recall part or all bonds from creditors on the 14th calendar day of each month (the recall date) within the five months before maturity for Tranche A, or within the six months before maturity for Tranche B, or within the one year before maturity for Tranche C. The amount of recall must be in multiples of Ten Million New Taiwan Dollars.	
Restrictive clauses	None	
Rating agency, date of rating, and rating awarded	Not applicable	
Other rights	Amount of common shares, global depository receipts, or other securities converted (exchanged or subscribed) up till the publication date of this annual report	Not applicable
	Issuance and conversion (exchange or subscription) rules	Not applicable
Possible dilution of equity and impact on equity of existing shareholders due to issuance or conversion, or due to subscription or issuance terms	Not applicable	
Custodian of exchanged assets	None	

3. Preferred shares: None

4. Depository receipts: None

5. Employee warrants: None

6. Issuance of new shares for business acquisition or share exchange: None

7. Progress on planned uses of capital: None

Five. Operational Overview

1. Business activities

(1) Business activities:

1. Principal business activities:

The Company is primarily involved in the research, development, production, manufacturing, and sale of projected capacitive touch sensors and TFT (thin-film transistor) arrays, and general investment.

2. 2020 product weight:

Product category	Amount (NTD thousands)	Weight
Touch control solutions	2,774,175	89.88%
Others	312,224	10.12%
Total	3,086,399	100.00%

3. The Company's current products (services):

Primary products of the Company include touch sensor products and thin film transistor back panel products.

Touch sensor products include professional OEM of touch sensors or modules and design and production of touch sensors. In terms of TFT back panel products, there are the professional OEM of TFT element glass and design and production of TFT glass.

4. New product (service) development plans:

Touch products produced by the Company mainly consist of dimensions to accommodate the active-matrix organic light-emitting diode (AMOLED) in advanced smart phones and wearable products, among others. They are known to have fine line widths, narrow frames, and high transmittance. Meanwhile, continuous efforts are devoted to the development of technologies such as high-end HIAA (Hole in Active Area), full screens with a high screen-to-body ratio, and TDDI (Touch and Display Driver Integration) for mobile phones. In addition, on the basis of existing highly automated and highly precise equipment, process technologies for new flexible TFT elements and ESL back panels were developed in 2020. This newly built flexible product and technology platform has contributed to diversified developments of the Company's products and it is hoped to serve even more diversified customers.

(II) Industry overview:

1. Current and future industry prospects:

(1) Touch sensors:

HannsTouch focuses on the utilization of touch sensors that are built with the AMOLED. AMOLEDs are mainly applied on the market focused on smart phone consumer products. The demand as a whole will be adjusted with the AMOLED throughput and the driving demand at the customers' end.

Looking ahead, in 2021, with the ubiquity of vaccination, the COVID-19 pandemic will be under control. Compounded by the new 5G smartphone launches of many international brands that are foreseen to drive up purchases of new phones, the sales of OCTA products are expected to have much room for growth. Also, for the ESL market, due to the pandemic

driving the will and upping the speed of end customers changing their equipment, the demand for a backplane for ESL displays will continue to grow. The Company shall focus on actively making preparations to embrace the coming recovery.

In 2020, international brands were turning to set 5G smartphones as their signature products, thus fortifying the 5G smartphone era. In 2021, the trend of the increasing market share of smartphones using AMOLED remains unchanged. Apart from solidifying its position in the medium to high-end smartphone market, Rigid AMOLED is also heading toward application in tablet and notebook, increasing AMOLED's penetration rate in the IT products and further enhancing the scope of product application of AMOLED.

Purchase orders are gradually coming in for ESL products that HannsTouch has been working on for years to accordingly reduce the impact of the throughput subject to seasonable variation on the uptime. It is expected that the ratio of sales on the new product platform will be increased later to optimize the allocation of throughput, make the best of the equipment throughput, optimize the sales and operational performance of the Company, and contribute to the revenue. Further, for the application market of industrial and automobile professional display and touch-control solutions, the Company has been working closely with customers in its endeavor in technology development. In 2020, its long-term revenue growth was evident, and the development diversity is promising. HannsTouch Solution shall consistently deepen its roots in technology and diversity developments.

(2) TFT back panels:

TFT back panels can be extensively applied to TFT-LCDs, electronic paper, and medical care. TFT-LCDs account for the largest portion in the industry for the time being. For electronic paper, on the other hand, an ultra-thin and ultra-light display is used. Its surface is coated with the electronic ink consisting of numerous tiny transparent particles. The particles have a diameter of several micrometers. These tiny black and white particles can sense charges and move in different directions. When they are driven to move in specific directions, the different graphics show. The color of the electronic ink is not limited to black and white. With the dyes inside particles and the colors of micro-particles adjusted, the electronic ink will show different colors and graphics. By fixating the colors and graphics through the TFT back panel and the drive IC, the contents can show even if the power is disconnected.

For the ESL, the electronic paper display technique is utilized. It is known for low power consumption, wide viewing angle, and readability, among other strengths, plus the radio control system, retailers can update contents of the labels on the shelf in real time; it makes commercial operation easy. As the ESL gets popular, the demand for the contents has been reached from a simple display of the price to also include specifications, traceability, and promotional information, etc. of the product. Therefore, it needs to become larger and larger in size. In the future, for the electronic paper display, except for e-books and ESLs, credits cards, smart cards, large display boards, and electronic white-boards will be where additional potential is on the market.

2. Association between upstream, midstream, and downstream industry participants:

(1) Touch products:

1- 1 Touch product structure:

The modular illustration of a touch panel is provided below. The primary materials are:

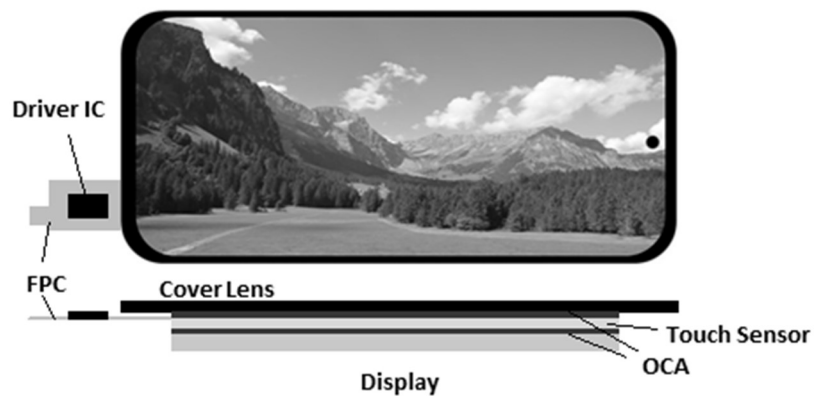
A: Cover lens

B: Sensor glass or sensor film

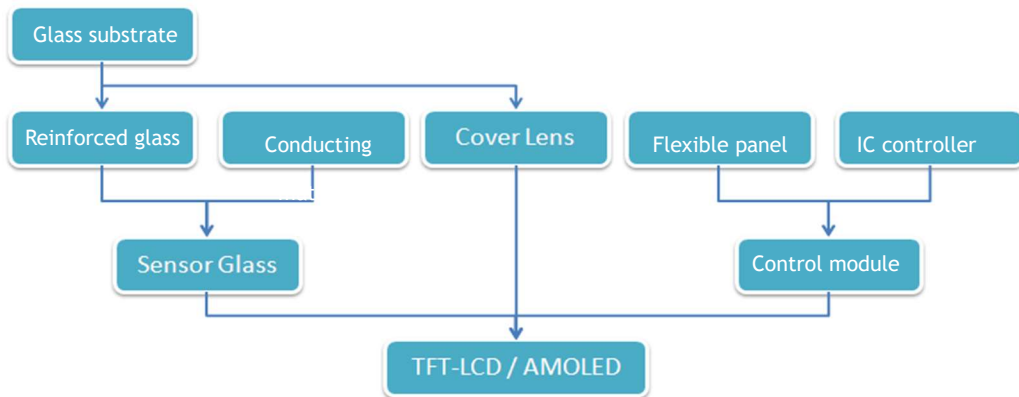
C: Flexible printed circuit and IC

D: Display unit (TFT-LCD or AMOLED)

Touch Panel Module Structure

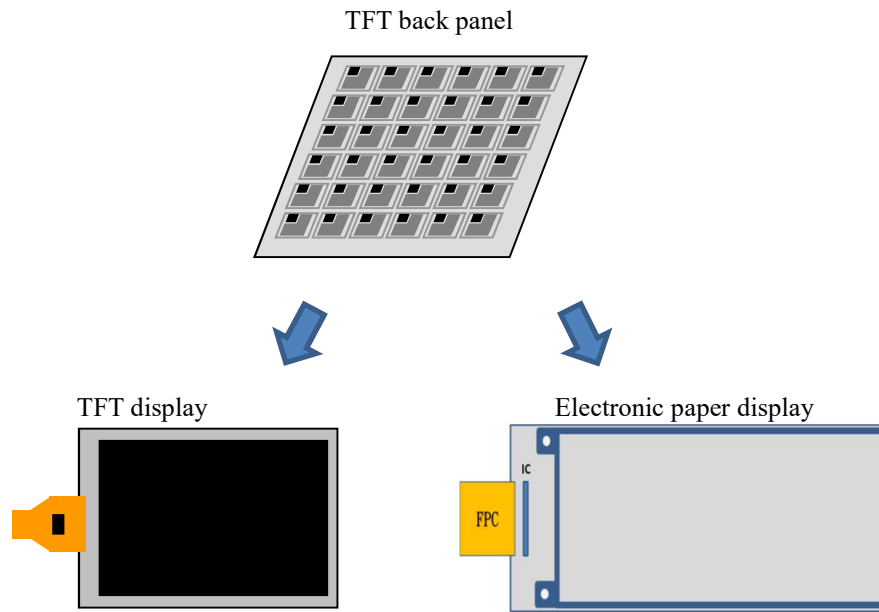


1- 2 Association among Upstream, Mid-stream, and Downstream of Touch Products:



(2) TFT back panels:

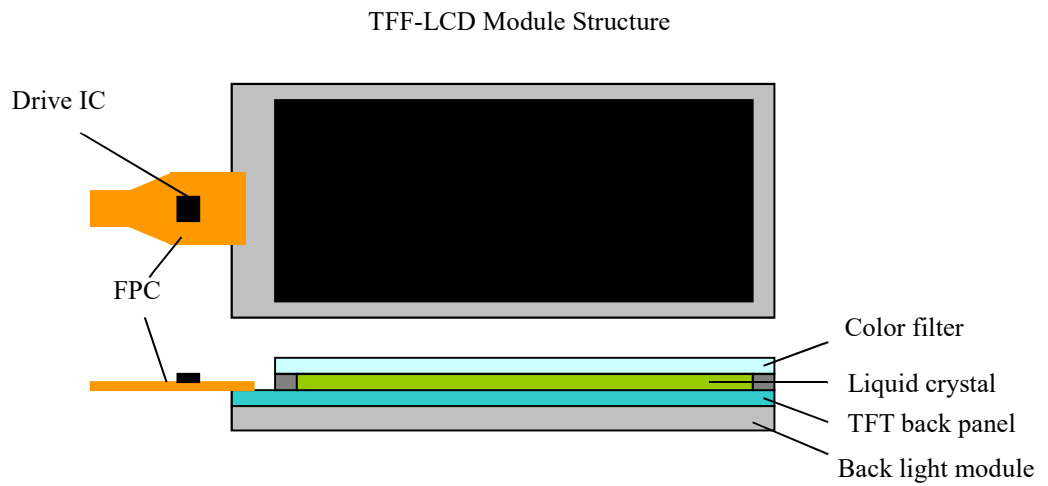
They may combine the color filter to become TFT-LCDs or the FPL to become EPDs. The structure of the product is given below:



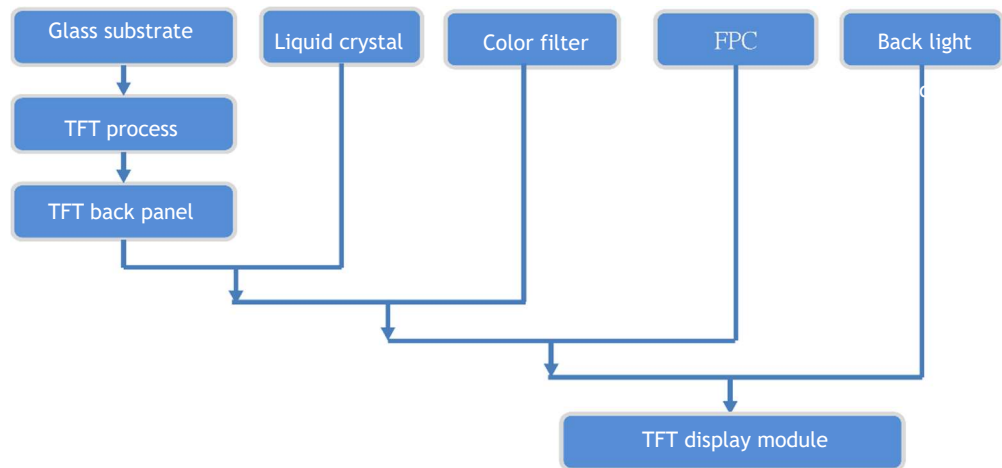
2-1 Structure of the TFT display:

The modular illustration of a TFT display is provided below. The primary materials are:

- A: Color filter
- B: Liquid crystal
- C: TFT back panel
- D: Drive IC
- E: Flexible printed circuit (FPC)
- F: Back light module



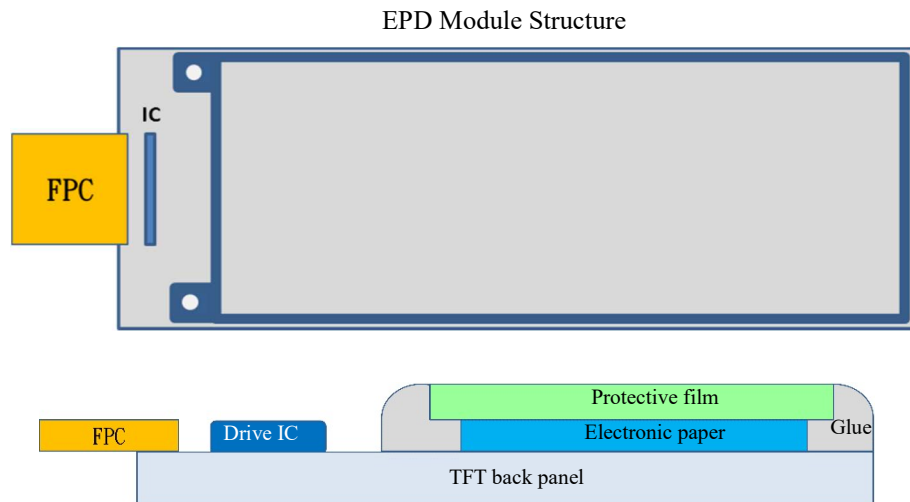
2-2 Association among upstream, mid-stream, and downstream of the TFT display:



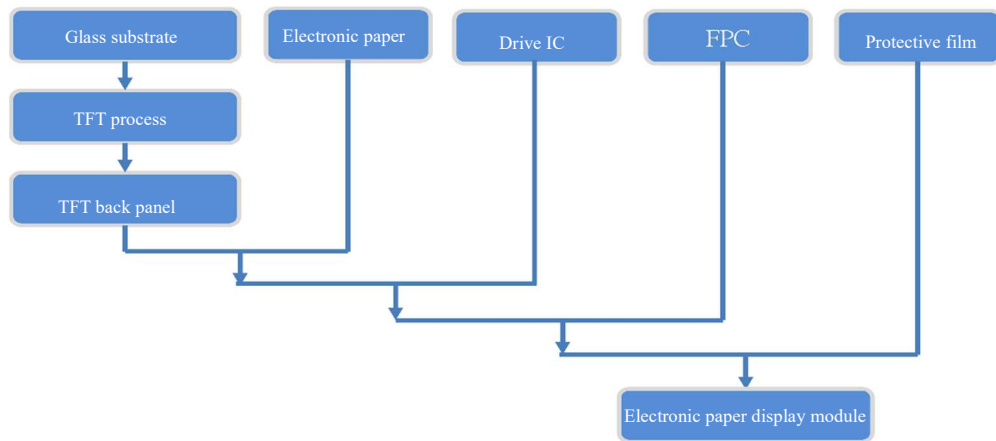
2-3 Structure of the TFT display:

The modular illustration of a TFT display is provided below. The primary materials are:

- A: Protective film
- B: Electronic paper
- C: TFT back panel
- D: Drive IC
- E: Flexible printed circuit (FPC)



2-2 Association among upstream, mid-stream, and downstream of the electronic paper:



3. Product trends:

The glass touch sensor to carry the rigid AMOLED is not only lighter, thinner, and with even narrower frames but also developing towards the new HIAA (Hole in Active Area) technology to realize the full-screen design with the highest screen-to-body ratio in order to satisfy the ID design needs of new mobile phones. Meanwhile, the anti-corrosion special alloy conductor material is introduced comprehensively to the mobile phones of the new generation for persistent enhancement of reliable performance and for use in even wider settings. Meanwhile, the deployment targets also low-impedance process technologies for stepping into the fields where IT products are applied. The flexible touch sensors to accommodate the flexible AMOLED, on the other hand, aim to satisfy the characteristics of flexible products in order to cope with the needs of terminal products in the future. For displays with the TFT back panel plus the electronic paper, besides continuing to reach out to fold-out products, digital white boards, and large display boards over the past few years, the utilization of large display boards continues to grow due to the fact that electronic paper is known for its electricity-saving strength and its contribution to reduced infrastructure projects, particularly in Europe and Japan. In addition, recently, because of the prevalence of the Internet and unmanned stores, the demand for ESL products has surged and ESLs may be used for logistics delivery. Meanwhile, in order to strengthen the promotional effect, it is becoming more and more obvious that ESLs will become larger.

4. Market competition:

The built-in projected capacitive input sensor developed by the Company primarily goes with the AMOLED panel and is a mainstream nowadays and in the future in the industry. There are not many professional suppliers of primarily AMOLED touch sensors. HannsTouch is one of the Top 2 rigid touch sensor suppliers and the efforts in the future will be devoted to constantly improving the product trustworthiness and the cost-effectiveness. As far as the flexible touch sensor that comes with the flexible AMOLED is concerned, HannsTouch is also continuing to improve its optical efficacy in order to satisfy the specification requirements of products for the new generation.

The following are the competitive advantages of the Company in AMOLED touch sensors:

- (1) High-precision exposure and other production process equipment realize the ultra narrow frame design superior to the process capability of ordinary glass touch manufacturers.

(2) Glass of 0.25t may be devoted directly to realize ultra-thinness, reduce the production cost, and to bring additional value.

(3) The most advanced HIAA (Hole in Active Area) technology and special anti-corrosion alloy conductor material technology satisfy customers' demand for high-end process technologies and highly reliable capabilities.

(4) Bendable flexible touch sensors are developed to satisfy the new technical needs of products.

For the electronic paper display technology, after years of continuous promotion in the industry, its application has reached out from the very first e-book readers to ESL products and large-size products. For ESL products, for example, they have been widely applied to various large grocery stores throughout Europe. Recently, impacted by COVID-19, excessive demand and growths have surfaced. Through its existing production lines, HannsTouch has developed the TFT technology and qualification of the characteristics of various types of products has been quickly completed to cut into the supply chain for TFT back panels. At the moment, it can already go with TFT-LCDs and the electronic paper. The Company developed this product with the following strengths and it is full of competitive potential on the market.

The following are the competitive advantages of the Company in TFT back panels:

- (1) Produced through the G5.5 line that is known for its high product utilization rate and the production strength in accommodating large electronic paper products.
- (2) Idle throughput of color filter and cell lines facing ordinary LCD manufacturers is not an issue.
- (3) New product design framework is adopted for a better price-performance ratio.

(III) Technological research and development:

1. R&D expenses:

Unit: NTD thousand

Item	2020
R&D expenses	40,679
Net sales revenue	3,086,399
R&D expenses as a percentage of net sales (%)	1.32%

2. Technologies or products successfully developed:

The development of primary product technologies of the Company is based on the two major technical platforms, namely Touch and Array sensor, which go with rigid and flexible substrates, to build technologies. Different product application technologies are developed as such, including those for smart watches, mobile phones, and tablets that vary in size ranges.

At present, primary OCTA touch technologies are applied to high-end AMOLED smart phones and wearable products. They are known to have fine line widths, narrow frames, and high transmittance. Meanwhile, continuous efforts are devoted to the development of technologies such as high-end HIAA (Hole in Active Area), full screens with a high screen-to-body ratio, and TDDI (Touch and Display Driver Integration) for mobile phones. As is needed for heavyweight customers, low-impedance medium-size touch products are researched and developed at the same time. They are mainly applied to medium-to-large IT products, such as Notebook PCs, Tablet PCs, and high-end 3C OLED electronic

products of 9~23 inches.

Besides the mainstream touch glass sensor products, based on the application of the array technology, for niche products, related technologies and products of ESL TFT back panels have been developed. High electronic mobility has been successfully developed and it has effectively boosted the performance of TFTs to favor the design of high-resolution products and to fulfill the electricity-saving strength. In terms of products, taking advantage of the close packing technology, ESL back panel products have been successfully introduced. They make the best of the optimal cutting rate of G5.5 (1300x1500mm).

In the development of industrial control products, various touch products such as 15.6 and 21.5-inch ones to be applied in various types of industrial computers have been successfully developed. Mass production has been steady for the series of products. In addition, deployment also targets high-end 20.1" and 24" touch products to be applied in aviation, which have been qualified by end-users and mass production will begin for the first half of 2020. Joint development with customers will be continued in the future to maximize the market share in the industrial control and utilization field.

On the basis of existing high automation and high precision, this technical platform will be used to further develop flexible TFT substrates and optical fingerprint identification detectors in 2021 for enhanced additional value of products. In the future, the Company shall coordinate the aforementioned technologies to further develop new optical and medical sensor technology. The Company shall also deepen its research in the technological fields and diversified development to servicing a more diversified clientele.

(IV) Long and short-term business plans:

1. Short-term business plans:

- (1) The Company is a professional manufacturer of touch sensors meant primarily to go with the AMOLED and G5.5 OCTA touch sensors. The customers it sells to are international big brands whose products range from smart watches, mobile phones, tablets, and notebook computers that vary in size.
- (2) For rigid AMOLED OCTA touch sensors, besides production corresponding to G5.5, the scope of sales to the corresponding generation has been expanded and enhanced to a corresponding capability that matches G4.5 and G6.
- (3) Flexible PI Touch Sensor qualification and production are completed and this technology has made HannsTouch a technical pioneer in the industry. In addition, to address the different needs of customers, different types of substrates are being developed, too. They can cover the fixed curvature rate so that it may be applied to more variety of products such as the foldable ones.

2. Long-term business plans:

For the development of emerging industries such as the Internet of Things and Industry 4.0 in the future, HannsTouch keeps track of the trends, too, by developing new technologies and processes and creating new product platforms. The Company develops multiple technologies at the same time:

- (1) For the deployment of products, besides steadily maintaining the existing AMOLED OCTA high-end touch sensors, market development is focused also on professional fields such as industrial control and car-borne. The high-generation production technique makes the best of the cost competitive advantages and win recognition on the market. Efforts are made also to the provision of the Total Solution to hopefully serve customers in the professional utilization fields. Due to the fact that industrial control and other applications require constant accumulation of achievements, the growth remains slow over the short term.
- (2) By creating new product lines, the scope of utilization for non-touch sensors is expanded. The TFT back panel technology has been successfully developed and may be applied to TFT-LCDs and go with the TFT back panel of the electronic paper.
- (3) Develop the flexible TFT back panel technology to maximize the scope of utilization in the said field.
- (4) Apply the successfully developed TFT back panel technology to the optical fingerprint sensor in order to replace the existing fingerprint identification technology that cannot be applied to a large area. Current screen fingerprint identification technology primarily includes the optical fingerprint identification solution and the ultrasound fingerprint identification solution. The ultrasound solution, in particular, is known for its limited penetration distance and the relatively non-competitive price because of the full screen that is used. Optical fingerprint identification is not only compatible with the rigid/flexible OLED screen but also more competitive given the larger area utilizing the TFT technology.

2. Market, production and sales overview

(I) Market analysis:

1. Locations where products are mainly sold:

Unit: NTD thousand

Year Sales destination	2019		2020	
	Amount (Note 1)	%	Amount (Note 2)	%
Domestic sale	213,936	4.86%	359,766	11.66%
Export sale	4,189,880	95.14%	2,726,633	88.34%
Total	4,403,816	100.00%	3,086,399	100.00%

Note 1: This amount includes the sales income from the continuing operating department that is worth NTD 4,403,816,000.00 and from the discontinued department that is worth NTD 0.00.

Note 2: This amount includes the sales income from the continuing operating department that is worth NTD 3,086,399,000.00 and from the discontinued department that is worth NTD 0.00.

2. Market share and future supply, demand growth:

Primary products of the Company are touch sensors that go with G5.5 glass AMOLED. A major customer in this field is located in Korea. HannsTouch is its second largest supplier. With a robust customer base and demand, HannsTouch built its equipment that is capable of supporting G4.5, G5.5, and G6 production lines and is devoted to building a manufacturing facility meant exclusively for the production of AMOLED OCTA professional touch sensors to become the only of its kind in the world that can supply AMOLED

production lines of different generations at the same time and secure a key role in the supply chain on the AMOLED OCTA market.

In order to reduce the highs and lows in the seasonal demand for consumer mobile phones on the market, to improve the operational performance, and to secure steady profitability over the long term, on the basis of existing highly automated and highly precise equipment, new IT products and process technologies are developed; competitive TFT back panel technology is provided; various related product platforms are created; and new additional value is provided for the customers.

In addition, through resources and collaboration inside and outside the Group, the width of product application is enhanced; flexible touch sensors, industrial control and car-borne products and technologies are developed; new professional display application fields are explored; and more diversified technologies, products, and services are provided. The goal is to provide overall solutions and to become a professional sensor and display solution provider that provide new product portfolios and improve profitability.

3. Competitive advantage:

(1) High-quality automated professional touch production lines:

One of the few fully automated professional touch-related producers in the world that adopts the equipment equivalent to that adopted at a TFT plant and automated production line design throughout the plant to ensure that the high precision requirement of touch sensors with AMOLED is fulfilled and to accordingly provide customers with reliability and steady supply assurance. In response to the rapidly changing demand on the market, production line management continues to be reinforced. The small-quantity diversified production model improves the responsiveness of customers on the market.

(2) Technical and cost-competitive advantages:

Direct mass production and devotion of G5.5 0.25T glass, fine line width technology, mass production of 0.6 mm narrow-frame products, 92% high-penetration technology, and realization of the utilization of high-end AMOLED OCTA. The flexible thin-film touch sensor has been qualified by customers and shipment has begun to satisfy the next generation's design ideas and requirements for terminal consumer products, that is, light-weight and foldable, for increased value for customers. Manufacturing high-quality products and constantly improving yield are fundamental commitments of HannsTouch Solution to its customers. Besides constant optimization of the production configuration and production process parameters, the throughput is expanded, too, to better optimize the production efficacy and to enhance the overall competitive advantages. Besides the existing touch technology, process technologies that are superior to those of other panel manufacturers are being developed so that the new product platform is competitive and advantageous to secure new business opportunities for it to be applied on the market. The Company shall develop relationships with suppliers of new materials to ensure diversification in high quality and steady supplies, reduce production cost and create better profitability. With more experience and capabilities in maintaining its own production facilities, the Company is able to achieve proper cost control.

(3) Different technologies and product platforms, increased product portfolios, and enhanced additional value:

On the basis of existing highly automated and highly precise equipment, the TFT process technology and product platform have been successfully developed and such a technical platform was further developed in 2020 with the flexible TFT back panel and optical fingerprint detection sensor for

enhanced additional value of products. In the future, each of the above-mentioned developed technologies will be integrated, too, and new medical sensor technologies will be developed for constant advancement and diversification in technicality and to hopefully serve more diversified customers.

4. Opportunities, threats, and response measures:

- (1) AMOLED continues to grow. The main supplier still secures the primary supply position on the market:

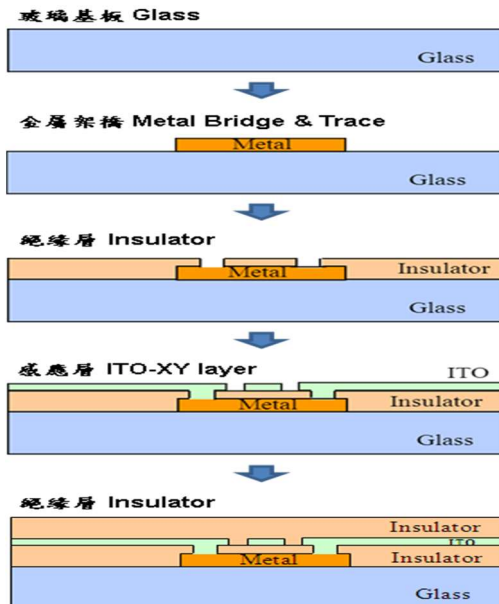
HannsTouch is the second largest rigid AMOLED touch supplier on the market. Growths will continue with the increased yield rate of the AMOLED plant, throughput, and demand for IT products. Rigid AMOLEDs, however, are faced with low-price competition due to surplus in the throughput of LTPS TFT-LCDs. HannsTouch will expand its advanced collaboration with AMOLED customers and continue to develop technologies that combine other features to improve the value and competitive advantages of products.

- (2) Sensor solution provider that has created multiple product lines and has grown professionally:

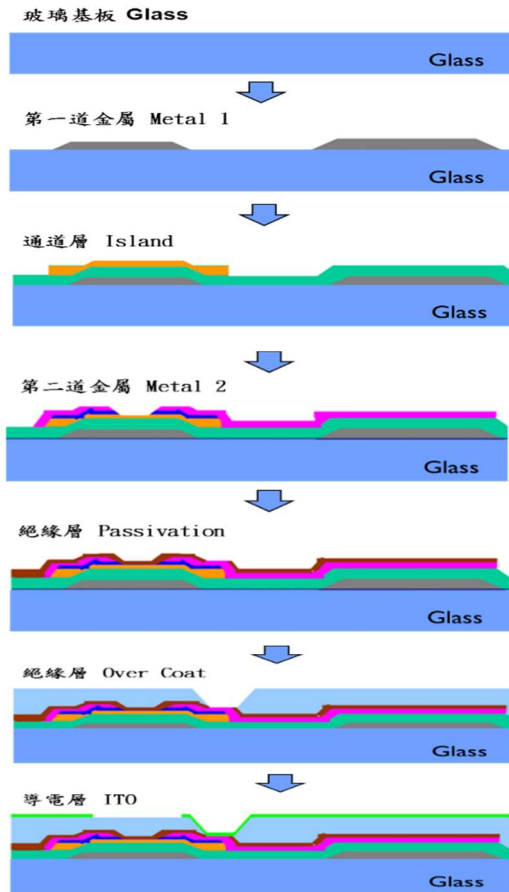
In order to reduce the highs and lows in the seasonal demand for consumer mobile phones on the market, to improve the operational performance, and to secure steady profitability over the long term, on the basis of existing highly automated and highly precise equipment, new process and product technologies are developed; new product platforms are created; and new additional value is provided for the customers.

(II) Main product applications and production processes:

1. Glass sensor



2. TFT back panels



(III) Supply of main materials:

Primary products of the Company are touch sensors and TFT back panels. All suppliers of the raw materials for glass sensors and TFT back panel are long-term collaborative strategic partners that can accommodate the demand for the touch technology and TFT back panel on the market. Keeping track of key materials and deploying early on help ensure the throughput.

(IV) List of main suppliers (buyers):

Names of customers with 10% or more purchases (sales) and the current value and ratio of the purchases (sales) in any of the past two years. Please also describe the reason for the increase or decrease. :

Main suppliers in the last two years

Unit: NTD thousands; %

2019					2020			
Item	Name (Note)	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer	Name (Note)	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer
1	Company A	533,559	50.46%	None	Company A	302,874	42.56%	None
2	Company B	122,771	11.61%	None	Company B	74,726	10.50%	None
3	Company C	108,714	10.28%	None	Company C	69,967	9.83%	None
4	Others	292,372	27.65%	-	Others	264,105	37.11%	-
Total	Total	1,057,416	100%	-	Total	711,672	100%	-

Note: List the names of customers accounting for at least 10% of the total purchases over the past two years and the value

and ratio of their purchases. When the names of suppliers or counterparts may not be disclosed as agreed in contracts are individuals and non-related parties, however, they may be replaced with a code.

Main suppliers in the last two years

Unit: NTD thousands; %

2019					2020			
Item	Name (Note)	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name (Note)	Amount	As a percentage of annual net sales (%)	Relationship with the issuer
1	Company A	3,120,698	70.86%	None	Company A	2,096,050	67.91%	None
2	Company B	548,141	12.45%	None	Company B	411,899	13.35%	None
3	Others	734,977	16.69%	-	Others	578,450	18.74%	-
Total	Net sales	4,403,816	100.00%	-	Net sales	3,086,399	100.00%	-

Note: List the names of customers accounting for at least 10% of the total sales over the past two years and the value and ratio of their sales. When the names of customers or counterparts may not be disclosed as agreed in contracts are individuals and non-related parties, however, they may be replaced with a code.

(V) Production volume and value in the last two years:

Unit: pieces; NTD thousands

Year Production volume/value Main products	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Touch control solutions	-	2,064,600	2,467,753		1,551,950	1,901,157
Total	-	2,064,600	2,467,753		1,551,950	1,901,157

(VI) Sales volumes/values in the past two years

Unit: pieces/sets; NTD thousands

Year Sales volume/value Main products	2019				2020			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Touch control solutions	9,833	9,650	2,060,645	4,189,880	28,027	47,542	1,512,136	2,726,633
Others	-	204,286	-	-	-	312,224	-	-
Total	9,833	213,936	2,060,645	4,189,880	28,027	359,766	1,512,136	2,726,633

Note: This table shows the continuing operating departments and the discontinued departments.

3. Employee information in the last 2 years up till the publication date of this annual report

Year		2019	2020	2021 up till March 31
Employee count	Manager and above	34	34	35
	Production line workers	126	129	129
	General staff	164	172	166
	Total	324	335	330
Average age		36.7	36.5	36.5
Average years of service		4.18	4.43	4.35
Academic background	Doctoral Degree	1.85%	1.79%	1.82%
	Masters Degree	24.07%	29.85%	29.70%
	Bachelors Degree	64.51%	58.81%	58.48%
	Senior high school	8.95%	8.96%	9.39%
	Below senior high school	0.62%	0.6%	0.61%

4. Contribution to environmental protection

Air pollution control and water treatment equipment have been functioning consistently ever since the Company constructed its plant facilities in Southern Taiwan Science Park (STSP) in 2003. The Company continues to implement environmental protection and green product management practices to this date for compliance with environmental regulations and customers' requirements, and is actively involved in environmental protection initiatives. Below is a description of various accomplishments the Company has achieved in this regard:

1. Enforcement of environmental management and enhancement of environmental performance:

The Company's STSP Plant successfully renewed certification for ISO 14001:2015 - Environmental Management System in August 2018 and obtained ISO 14064:2006 - Greenhouse Gas Verification Statement in September 2018. Driven by the motivation to improve environmental management performance, the Company conducts regular environment audits and follow-ups, and for which it was awarded certifications for ISO 14001:2015 and ISO 14064:2006 in 2020.

2. Waste management:

The Company has been enforcing waste recycling practices in response to the government's green and environmental protection initiatives. Currently more than 95% of waste produced from plant is systematically recycled and reused, which will effectively reduce environmental burden and depletion of resources associated with the production process.

3. Capacity enhancement for pollution control equipment:

As part of the Company's corporate responsibilities, all existing air pollution control and water treatment equipment are serviced and tested regularly to ensure that they operate at optimal efficiency. The Company also makes ongoing improvements to the environment policy, including pro-active enhancements to wastewater recycling and air pollution control equipment, for the sustainability of its business.

4. Compliance records:

The Company was not penalized or fined by the authority for any pollution to the environment in 2020.

The Company is dedicated to controlling pollution and reducing industrial waste, and strives to promote sound corporate image and raise competitiveness in the field of environmental protection. The Company has adopted relevant measures to support green product management in response to EU's and customers' green product requirements, and will address the global warming phenomenon through introduction of greenhouse gas reduction/control systems in the future.

5. Payment of pollution prevention expenses in 2020:

Unit: NTD

Category of pollution prevention expense	Q1	Q2	Q3	Q4
Air pollution prevention expense	945,290	220,778	572,819	970,028
Soil pollution prevention expense	5,293	4,296	5,934	12,850
Water pollution prevention expense	3,256,806	1,815,253	1,282,240	1,743,860

6. Investment in pollution prevention equipment, the purpose of equipment, and possible benefits:

Unit: NTD thousands

Name of equipment	Count	Expected date of acquisition	Cost of investment	Purpose and expected benefits
CVD wash/Acid washing tower system improvement project (Electric plate)	2	July 31, 2021	2,400	(The new electric plate is located indoors (the original one outdoors) and the existing control logic for the exhaust equipment was improved for enhanced exhaust system operational availability. The production equipment could continue with production and no throughput was affected. Steady operation as required by law is fulfilled.
Addition of the ultrasound flow-meter for the waste water treatment system	1	July 31, 2021	700	
Improvement of aeration for the aerobic organisms treatment system	1	June 30, 2021	400	
Addition of the aeration pipeline to the down spout	1	June 30, 2021	200	
Installation of the new ultrasound flow-meter for the air-conditioning system	3	April 30, 2021	700	

5. Labor-management relations

(1) Availability and execution of employee welfare, education, training, and retirement policies. Elaborate on the agreements made between employers and employees, and the protection of employees' rights:

1. Employee welfare measures:

Employee welfare measures are arranged by both the Company and the Employee Welfare Committee. Together, they provide employees with substantive and diverse benefits as well as the work environment needed to inspire morale and promote harmonic labor-management relations:

(1) Welfare offered by the Company:

Birthday cash, Labor Insurance, National Health Insurance, group insurance, regular health checkup, meal subsidy etc.

(2) Employee Welfare Committee:

Festive cash/voucher, wedding/funeral/celebration/childbirth/hospitalization subsidy, emergency allowances, annual employee travel subsidy, store discount, employee relations activity subsidy etc.

2. Employee education:

The Company has implemented "Training Management Procedures" to support the creation of an employee training system and diverse learning channels that help improve employees' skills and develop the talents needed by the Company. Employees are trained and certified according to legal requirements.

3. Employee training:

(1) Orientation:

Including basic training and work guide. There is also the care card to ensure sound communications between new hires and their supervisors so that the new hires may quickly adapt to the corporate culture and the nature of their work.

(2) Internal training:

The Company makes yearly plans to bring employees a variety of training courses that are suitable for their career development. Instructors from within or outside the organization are invited to assist employees with skill and career development. Professional, managerial, and regulatory courses are designed.

(3) External training:

Employees are given opportunities, subject to line managers' recommendation, to participate in training courses organized by external institutions, where they are able to further expand their career vision and improve professional skills to the next level.

4. Retirement system and execution:

The Company has established its own retirement system and "Employee Retirement Policy" in accordance with the "Labor Standards Act" and "Labor Pension Act." Details concerning pension contribution and payment of benefits are outlined in the policy.

5. Enforcement of labor agreements and employee rights:

The Company continues to listen to what their employees have to say and respond to their concerns and communicate with them in real time through a variety of employee opinion reflection channels for the promotion of labor-management harmony and for accomplishing the win-win goal for both the enterprise and its employees. The bilateral communications that are available include:

(1) The meeting between supervisors at all levels and their colleagues, such as the monthly Board of Directors' meeting, the quarterly presidential meeting, and the care meeting for new hires.

(2) Quarterly labor-management meetings where the general corporate operational status is explained to employees; Welfare Committee routine meetings where employees are invited to take part in the discussions about employee benefits.

6. Establishment of employee behavioral and moral principles:

The Company has "Work Rules" and "Employee Reward and Disciplinary Policy" that provide employees with a clear understanding of their rights and behavioral guidelines that they are bound to obey.

7. Material insider information procedures:

The Company's "Material Insider Information Handling and Insider Transaction Prevention Procedures" have been published on the internal documentation database; key points are being conveyed to all employees, for which they are required to comply to avoid insider trading.

8. Work environment and implementation of employee safety and protection measures:

(1) Safety and health organization and its functions

The Company has a Work Safety Office created directly under the President's Office. Heads of plant divisions, offices, accountable departments, and workers' representatives are invited to participate in quarterly "Safety, Health, and Environmental Protection Committee Meetings," where they discussed various issues concerning performance goals, project progress, internal/external communication, environment/safety/health management plan, health promotion, and prevention of occupational illness.

(2) Occupational safety and health management system

The plant was certified by OHSAS 18001(Occupational Safety and Health International Management System) and CNS 15506 (Taiwan Occupational Safety and Health Management System, the original TOSHMS) with its occupational safety and health management system and was ISO 45001 Occupational Safety and Health Management System certified in 2020 instead of the original OHSAS 18001 management system. Practices such as goal-oriented management, risk identification and assessment, monitoring, testing, consultation, and communication have been adopted to prevent accident, minimize risk of hazard, and ultimately improve safety of the work environment and employees.

(3) Implementation of emergency response system and environment, safety, and health training

The Company has developed a comprehensive emergency response plan that covers a broad range of risks including fire, chemical and gas leakage, earthquake, flood, and malfunction of pollution control equipment. Drills are organized to familiarize employees with procedures of the emergency response plan and thereby minimize injuries and property damage in case of emergency. Meanwhile, seminars on topics such as use of protective gear, risk identification/assessment, chemical/gas hazard and protection, use of fire safety equipment, prevention of occupational illness, and health promotion are being organized on an ongoing basis to promote general safety and health knowledge as well as professional skills.

(4) Promotion of employee health

In order to effectively prevent against disorders triggered by abnormal work loads, the Company ensures safety and physical and mental health of employees while at work and plans a complete health management solution that covers annual period health checkup and various health promoting dynamic activities, risk case identification and management, abnormality tracking and management, mental health management, maternal health protection, assignment of tasks, and adaptive adjustment, etc. In addition, maternal health protection and management are provided to working moms.

(5) Ongoing monitoring and audit

For the safety of the plant, the Company not only performs thorough tests at various environments including workers' operating environment as required by law, but has also adopted robust audit procedures to support routine inspection, inspection of high-risk operations, and management inspection. The Company is also audited by third parties or customers from time to time.

(2) Actual or estimated losses arising as a result of employment dispute in the last year up till the publication date of this annual report, and any response measures taken:

The Company has maintained good labor-management relations since it was incorporated on September 18, 1999, which owed largely to the presence of open communication channels including labor-management meetings and policy seminars. The management has very high respect for workers' opinions, needs, and issues, and strives to provide the best solution and assistance possible. For these reasons, the Company has never encountered any major employment dispute since it was founded, and expects extremely low likelihood of suffering losses from employment dispute in the future, given its productive labor-management interactions.

6. Major contracts

List the parties, main details, restrictive clauses, and duration of any material contractual arrangement (that are relevant to shareholders' interest), such as supply/sale agreement, technological collaboration contract, construction contract, long-term borrowing contract etc., that is currently effective or had expired in the last year:

Nature of contract	Parties involved	Contract duration	Main details	Restrictive clauses
Financing	Land Bank of Taiwan	May 21, 2018 ~ February 21, 2033	To pay off early real estate mortgage loans with the Mega Bank and MEGA BILLS from 2016 and to reduce interest expenditure.	None
Lease	Glorystone Inc.	15 years from the start date	Some of the floors and the portion of land they are assigned of the building on Jilong Road are sublet to the tenant for running general hotels.	None
Lease	JustCo (Taiwan Onshore) Ltd.	10 years from the delivery date	Some of the floors of the building on Jilong Road are sublet to tenants to be used as offices.	None

Six. Financial Overview

1. Summary balance sheet and statement of comprehensive income for the last 5 years

(1) Summary consolidated balance sheet and consolidated statement of comprehensive income - IFRS-compliant

Summary consolidated balance sheet - IFRS-compliant

Unit: NTD thousands

Item	Year	Financial information for the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		2,170,587	1,614,281	1,317,238	1,306,420	5,683,930
Property, plant and equipment		9,605,731	9,643,017	8,831,429	14,132,137	10,862,154
Investment property - net		5,512,906	5,492,467	5,611,958	-	-
Intangible asset		3,783	5,616	19,062	71,105	17,377
Other assets		811,588	788,575	670,565	1,532,273	866,012
Total assets		18,104,595	17,543,956	16,450,252	17,041,935	17,429,473
Current liabilities (Note 2)	Before dividend	3,524,092	2,530,051	1,873,641	1,371,489	1,932,241
	After dividend	3,524,092	2,530,051	1,873,641	1,653,921	2,246,951
Non-current liabilities		7,479,426	7,810,343	6,873,130	6,030,615	5,786,544
Total liabilities (Note 2)	Before dividend	11,003,518	10,340,394	8,746,771	7,402,104	7,718,785
	After dividend	11,003,518	10,340,394	8,746,771	7,684,536	8,033,495
Equity attributable to owners of the Company		7,057,708	7,203,562	7,410,090	9,379,979	9,441,094
Share capital		7,369,485	7,369,485	7,369,485	8,069,485	8,069,485
Capital reserves		61,616	61,616	62,535	312,925	312,925
Retained earnings (Note 2)	Before dividend	(370,360)	(229,298)	(21,930)	997,569	1,065,141
	After dividend	(370,360)	(229,298)	(21,930)	715,137	750,431
Other equity items		(3,033)	1,759	-	-	(6,457)
Treasury stock		-	-	-	-	-
Non-controlling equity		43,369	-	293,391	259,852	269,594
Total shareholders' equity (Note 2)	Before dividend	7,101,077	7,203,562	7,703,481	9,639,831	9,710,688
	After dividend	7,101,077	7,203,562	7,703,481	9,357,399	9,395,978

Note 1: All financial information from 2016 to 2020 has been audited.

Note 2: This is the intended quantity to be discussed as decided and approved by the Board of Directors on March 19, 2021.

Summary consolidated statement of comprehensive income - IFRS-compliant

Unit: NTD thousands

Item	Year	Financial information for the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Operating revenues		2,732,534	2,717,922	2,843,178	4,403,816	3,086,399
Gross profit		(147,030)	358,775	479,678	1,661,900	711,375
Operating profit		(340,940)	81,020	171,240	1,260,940	418,842
Non-operating income and expenses		(152,812)	14,275	9,013	(83,896)	43,778
Pre-tax profit		(493,752)	95,295	180,253	1,177,044	462,620
Current net income from continuing operations		(494,952)	141,295	177,650	984,518	359,746
Loss from discontinued operations		-	-	-	-	-
Current net income (loss)		(494,952)	141,295	177,650	984,518	359,746
Other comprehensive income (net, after-tax)		9,728	4,559	1,090	1,442	(6,457)
Total comprehensive income for the current period		(485,224)	145,854	178,740	985,960	353,289
Net income attributable to owners of the Company		(493,321)	141,295	183,340	1,018,057	350,004
Net income attributable to non-controlling shareholders		(1,631)	-	(5,690)	(33,539)	9,742
Comprehensive income attributable to owners of the Company		(483,953)	145,854	184,430	1,019,499	343,547
Comprehensive income attributable to non-controlling shareholders		(1,631)	-	(5,690)	(33,539)	9,742
Earnings per share (NTD)		(0.67)	0.19	0.25	1.35	0.43

Note 1: All financial information from 2016 to 2020 has been audited.

(2) Summary standalone balance sheet and standalone statement of comprehensive income - IFRS-compliant

Summary standalone balance sheet - IFRS-compliant

Unit: NTD thousands

Item	Year	Financial information for the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		3,025,023	1,597,393	838,168	1,075,795	5,477,964
Property, plant and equipment		9,605,731	9,639,495	8,797,950	7,986,314	4,615,811
Investment property - net		-	5,492,467	5,611,958	5,729,096	5,810,132
Intangible asset		3,783	5,616	19,062	22,985	17,128
Other assets		1,264,971	808,589	885,784	1,186,003	1,203,193
Total assets		13,899,508	17,543,560	16,152,922	16,000,193	17,124,228
Current liabilities (Note 2)	Before dividend	3,522,374	2,529,655	1,869,702	1,196,734	1,896,591
	After dividend	3,522,374	2,529,655	1,869,702	1,479,166	2,211,301
Non-current liabilities		3,319,426	7,810,343	6,873,130	5,423,480	5,786,543
Total liabilities	Before dividend	6,841,800	10,339,998	8,742,832	6,620,214	7,683,134
	After dividend	6,841,800	10,339,998	8,742,832	6,902,646	7,997,844
Equity attributable to owners of the Company		7,057,708	7,203,562	7,410,090	9,379,979	9,441,094
Share capital		7,369,485	7,369,485	7,369,485	8,069,485	8,069,485
Capital reserves		61,616	61,616	62,535	312,925	312,925
Retained earnings (Note 2)	Before dividend	(370,360)	(229,298)	(21,930)	997,569	1,065,141
	After dividend	(370,360)	(229,298)	(21,930)	715,137	750,431
Other equity items		(3,033)	1,759	-	-	(6,457)
Treasury stock		-	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total shareholders' equity (Note 2)	Before dividend	7,057,708	7,203,562	7,410,090	9,379,979	9,441,094
	After dividend	7,057,708	7,203,562	7,410,090	9,097,547	9,126,384

Note 1: All financial information from 2016 to 2020 has been audited.

Note 2: This is the intended quantity to be discussed as decided and approved by the Board of Directors on March 19, 2021.

Summary standalone statement of comprehensive income - IFRS-compliant

Unit: NTD thousands

Item	Year	Financial information for the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Operating revenues		2,732,534	2,717,547	2,838,549	4,248,959	2,929,250
Gross profit		(147,030)	358,608	477,366	1,567,451	634,945
Operating profit		(337,670)	82,785	184,478	1,310,962	422,504
Non-operating income and expenses		(154,451)	12,510	1,465	(93,589)	35,530
Pre-tax profit from continuing operations		(492,121)	95,295	185,943	1,217,373	458,034
Current net income from continuing operations		(493,321)	141,295	183,340	1,018,057	350,004
Loss from discontinued operations		-	-	-	-	-
Current net income (loss)		(493,321)	141,295	183,340	1,018,057	350,004
Other comprehensive income (net, after-tax)		9,728	4,559	1,090	1,442	(6,457)
Total comprehensive income for the current period		(483,593)	145,854	184,430	1,019,499	343,547
Earnings per share (NTD)		(0.67)	0.19	0.25	1.35	0.43

Note 1: All financial information from 2016 to 2020 has been audited.

(3) Names of financial statement auditors in the last 5 years and audit opinions

1. Names of financial statement auditors in the last 5 years and audit opinions:

Year	Name of accounting firm	Name of CPA	Audit opinion
2016	PwC Taiwan	CPA Huei-Hsien Wang, CPA Kevin Lin	Unqualified opinion
2017	PwC Taiwan	CPA Ching-Chang Chen, CPA Kevin Lin	Unqualified opinion
2018	PwC Taiwan	CPA Ching-Chang Chen, CPA Kevin Lin	Unqualified opinion
2019	PwC Taiwan	CPA Ching-Chang Chen, CPA Kevin Lin	Unqualified opinion
2020	PwC Taiwan	CPA Ching-Chang Chen, CPA Kevin Lin	Unqualified opinion

2. Reason for change of CPA in the last 5 years:

The change of financial statement auditor in 2017 and 2021 was mainly due to organizational adjustment within the accounting firm.

2. Financial analysis for the last 5 years

(1) Consolidated financial analysis - IFRS-compliant

Analysis		Financial analysis for the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Financial position (%)	Debt to assets ratio	60.78	58.94	53.17	43.43	44.29
	Long-term capital to property, plants and equipment	151.71	155.62	164.97	104.02	142.67
Solvency (%)	Current ratio	61.59	63.80	70.3	95.26	294.16
	Quick ratio	58.62	54.49	63.76	81.64	283.52
	Interest coverage ratio	(2.52)	1.50	2.21	8.92	5.76
Operating efficiency	Accounts receivable turnover (times)	7.23	9.02	10.3	13.86	9.41
	Average cash collection days	50.48	40.47	35.437	26.33	38.79
	Inventory turnover (times)	12.36	12.31	12.61	16.98	11.34
	Accounts payable turnover (times)	12.56	18.79	23.84	21.99	15.60
	Average inventory turnover days	29.53	29.65	28.95	21.49	32.19
	Property, plant, and equipment turnover (times)	0.27	0.28	0.31	0.38	0.25
	Total asset turnover (times)	0.16	0.15	0.17	0.26	0.18
Profitability	Return on assets (%)	(2.26)	1.68	1.78	6.79	2.48
	Return on equity (%)	(6.74)	1.98	2.46	11.74	3.62
	Pre-tax profit to paid-up capital (%)	(6.70)	1.29	2.45	14.59	5.73
	Net profit margin (%)	(18.05)	5.20	6.45	23.12	11.34
	Earnings per share (NTD)	(0.67)	0.19	0.25	1.35	0.43
Cash flow	Cash flow ratio (%)	22.29	63.60	74.36	164.21	80.53
	Cash flow adequacy ratio (%)	58.92	101.16	80.83	84.27	79.32
	Cash reinvestment ratio (%)	4.88	8.95	7.52	7.78	5.23
Degree of leverage	Operating leverage	(3.25)	17.79	7.68	1.81	3.37
	Financial leverage	0.71	(0.74)	7.42	1.13	1.30
Description	<p>Note 2: Information on the reason for the changes in respective financial ratios in the past two years: (the analysis may be waived if the increase/decrease falls short of 20%.)</p> <ol style="list-style-type: none"> The ratio of long-term capital to fixed assets increased mainly because of the expected sale of 1-3 floors of the plant in Tainan Science Park for the current term and the fact that they are listed as current assets instead. The current ratio and the quick ratio increased mainly because of the expected sale of 1-3 floors of the plant in Tainan Science Park for the current term and the fact that they are listed as current assets instead. The ratio of Interest protection multiples decreased mainly because of the reduced after-tax pure profit for the current term. The receivable turnover ratio decreased and the receivable collection days increased mainly because of the reduction in the operating income for the current term. The inventory turnover ratio decreased and the average sales days increased mainly because of the increase in the mean inventory for the current term. The payable turnover ratio decreased mainly because of the reduction in the sales cost for the current term. The turnover ratio of real estate, plants, and equipment and that of total assets decreased mainly because of the reduction in the operating income for the current term. The return on assets, the return on equity, the ratio of pre-tax net profit to paid-in capital size, the net profit rate, and the earnings per share decreased mainly because of the reduced operating profit for the current term. The cash flow ratio decreased mainly because of the reduction in the net cash flows of operating activities for the current term. The operating leverage ratio increased mainly because of the reduced operating profit for the current term. 					

Note 1: All financial information from 2016 to 2020 has been audited.

Note 2: Formulas for calculation of various analyses:

1. Financial structure
 - (1) Debt to asset ratio = total liabilities/ total assets.
 - (2) Long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.
3. Operating efficiency
 - (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average cash collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of sales/average inventory balance.
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average inventory turnover days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
 - (2) Return on equity = net income / average shareholders' equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital).
6. Degree of leverage:
 - (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit
 - (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

(2) Standalone financial analysis - IFRS-complian

Analysis		Year	Financial analysis for the last 5 years				
		2016	2017	2018	2019	2020	
Financial position (%)	Debt to assets ratio	49.22	58.94	54.13	41.38	44.87	
	Long-term capital to property, plants and equipment	107.95	143.95	162.26	180.81	329.90	
Solvency (%)	Current ratio	85.88	63.15	44.83	89.89	288.83	
	Quick ratio	82.91	53.83	38.27	74.29	278.02	
	Interest coverage ratio	(2.65)	1.52	2.25	9.75	5.89	
Operating efficiency	Accounts receivable turnover (times)	7.23	9.02	10.29	12.87	8.02	
	Average cash collection days	50.48	40.47	35.47	28.36	45.51	
	Inventory turnover (times)	12.36	12.31	12.60	16.61	10.97	
	Accounts payable turnover (times)	12.56	18.79	23.82	21.69	15.28	
	Average inventory turnover days	29.53	29.65	28.97	21.97	33.27	
	Property, plant, and equipment turnover (times)	0.27	0.28	0.31	0.51	0.46	
	Total asset turnover (times)	0.19	0.17	0.17	0.26	0.18	
Profitability	Return on assets (%)	(2.61)	1.87	1.79	7.02	2.57	
	Return on equity (%)	(6.76)	1.98	2.51	12.13	3.72	
	Pre-tax profit to paid-up capital (%)	(6.68)	1.29	2.52	15.09	5.68	
	Net profit margin (%)	(18.05)	5.20	6.46	23.96	11.95	
	Earnings per share (NTD)	(0.67)	0.19	0.25	1.35	0.43	
Cash flow	Cash flow ratio (%)	22.87	63.64	75.04	184.48	74.06	
	Cash flow adequacy ratio (%)	101.7	258.02	227.66	248.35	216.77	
	Cash reinvestment ratio (%)	4.62	8.95	7.7	10.42	6.12	
Degree of leverage	Operating leverage	(3.28)	17.42	7.19	1.74	3.22	
	Financial leverage	0.71	(0.81)	5.08	1.12	1.28	
<p>Note 2: Information on the reason for the changes in respective financial ratios in the past two years: (the analysis may be waived if the increase/decrease falls short of 20%.)</p> <ol style="list-style-type: none"> The ratio of long-term capital to fixed assets increased mainly because of the expected sale of 1-3 floors of the plant in Tainan Science Park for the current term and the fact that they are listed as current assets instead. The current ratio and the quick ratio increased mainly because of the expected sale of 1-3 floors of the plant in Tainan Science Park for the current term and the fact that they are listed as current assets instead. The ratio of Interest protection multiples decreased mainly because of the reduced after-tax pure profit for the current term. The receivable turnover ratio decreased and the receivable collection days increased mainly because of the reduction in the operating income for the current term. The inventory turnover ratio decreased and the average sales days increased mainly because of the increase in the mean inventory for the current term. The payable turnover ratio decreased mainly because of the reduction in the sales cost for the current term. The turnover ratio of total assets decreased mainly because of the reduction in the operating income for the current term. The return on assets, the return on equity, the ratio of pre-tax net profit to paid-in capital size, the net profit rate, and the earnings per share decreased mainly because of the reduced operating profit for the current term. The cash flow ratio and the cash reinvestment ratio decreased mainly because of the reduction in the net cash flows of operating activities for the current term. The operating leverage ratio increased mainly because of the reduced operating profit for the current term. 							

Note 1: All financial information from 2016 to 2020 has been audited.

Note 2: Formulas for calculation of various analyses:

1. Financial structure

- (1) Debt to asset ratio = total liabilities / total assets.
- (2) Long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.

3. Operating efficiency

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average cash collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales / average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = (net income + interest expenses x (1 - tax rate)) / average asset balance.
- (2) Return on equity = net income / average shareholders' equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

- (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit
- (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

3. Audit Committee's review report on the latest financial statements

Audit Committee's Report

We have reviewed the Company's 2020 business report, financial statements, and earnings appropriation proposal prepared by the board of directors. The financial statements have been audited by CPA Ching-Chang Chen and CPA Kevin Lin of PriceWaterhouseCoopers Taiwan, to which the auditors have issued an independent auditor's report. The Audit Committee found no misstatement in the above Business Report, Financial Statements or Earnings Appropriation Proposal and hereby issues its report as presented above in accordance with the Securities and Exchange Act and the Company Act.

For

2021 Annual General Shareholders' Meeting of HannsTouch Solution Inc.

Audit Committee convene:



March 19, 2021

4. Consolidated Financial Statements and Independent Auditor's Report of the Most Recent Year:

Please refer to Appendix 1 (Page 108 to 189)

5. Standalone Financial Statements and Independent Auditor's Report of the Most Recent Year:

Please refer to Appendix 2 (Page 190 to 270)

6. Financial distress encountered by the Company and affiliated enterprises in the last year, up till the publication date of this annual report: None.

Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

1. Financial position

Unit: NTD thousands

Item \ Year	2019	2020	Variation	
			Amount increase (decrease)	Variation (%)
Current assets	1,306,420	5,683,930	4,377,510	335.08%
Property, plant, and equipment	14,132,137	10,862,154	(3,269,983)	-23.14%
Investment property - net	0	0	0	0.00%
Intangible and other assets	1,603,378	883,389	(719,989)	-44.90%
Total assets	17,041,935	17,429,473	387,538	2.27%
Current liabilities	1,371,489	1,932,241	560,752	40.89%
Non-current liabilities	6,030,615	5,786,544	(244,071)	-4.05%
Total liabilities	7,402,104	7,718,785	316,681	4.28%
Share capital	8,069,485	8,069,485	0	0.00%
Capital reserves	312,925	312,925	0	0.00%
Retained earnings	997,569	1,065,141	67,572	6.77%
Other equity interest	0	(6,457)	(6,457)	0.00%
Non-controlling equity	259,852	269,594	9,742	3.75%
Total shareholders' equity	9,639,831	9,710,688	70,857	0.74%
<p>For those with a difference of 20% and above and the amount involved in the variation having reached NTD 10,000,000.00 in the past two years, the explanations are provided below:</p> <ol style="list-style-type: none"> Current assets increased mainly because of the expected sale of 1-3 floors of the plant in Tainan Science Park for the current term and the fact that they are listed as current assets instead. Real estate, plants, and equipment decreased mainly because of the expected sale of 1-3 floors of the plant in Tainan Science Park for the current term and the fact that they are listed as current assets instead. Intangible assets and other assets decreased mainly because of the loss of control from the sale of shares held in Chaiin Hotel and that it is not included for the current term. Current liabilities increased mainly because of the expected sale of 1-3 floors of the plant in Tainan Science Park for the current term and the fact that they are listed as current assets instead. 				

2. Financial performance

Unit: NTD thousands

Item \ Year	2019	2020	Variation	
			Amount increase (decrease)	Variation (%)
Operating revenues	4,403,816	3,086,399	(1,317,417)	-29.92%
Operating costs	(2,741,916)	(2,375,024)	366,892	-13.38%
Gross profit	1,661,900	711,375	(950,525)	-57.20%
Operating expenses	(400,960)	(292,533)	108,427	-27.04%
Operating profit	1,260,940	418,842	(842,098)	-66.78%
Non-operating income and expenses	(83,896)	43,778	127,674	-152.18%
Pre-tax profit from continuing operations	1,177,044	462,620	(714,424)	-60.70%
Income tax expense	(192,526)	(102,874)	89,652	-46.57%
Loss from discontinued operations	0	0	0	0%
Other comprehensive income	1,442	(6,457)	(7,899)	-547.78%
Total comprehensive income for the current period	985,960	353,289	(632,671)	-64.17%
Information on the analysis of increases/decreases:				
1. The difference in profits or losses between the two terms is relatively great because of the reduced operating income for the current term due to the pandemic.				
2. The difference in the operating expenditure between the two terms is relatively great because of the increased income from government subsidies for the current term.				
3. The difference in other comprehensive profits or losses between the two terms is relatively great because of the increased losses from the valuation of equity tools measured at fair value for the current term.				

3. Cash flow

(1) Analysis of cash flow variations in the last 2 years:

Year \ Item	2019	2020	Variation (%)
Cash flow ratio	164.22%	80.53%	-51%
Cash flow adequacy ratio	84.27%	79.32%	-6%
Cash reinvestment ratio	7.78%	5.23%	-33%
Reasons/explanations:			
The cash flow ratio, the cash flow adequacy ratio, and the cash re-investment ratio decreased mainly because of the reduction in the net cash flows of operating activities for the current term due to reduced operating income for the current term.			

(2) Improvement plans for inadequate liquidity: Not applicable

(3) Liquidity analysis for the next year:

Unit: NTD thousands

Opening cash balance ①	Projected yearly net cash flow from operating activities②	Expected cash outflow for the year③	Expected cash surplus (deficit) ①+②-③	Financing of expected cash deficits
				Investment and financing plans
1,618,587	1,615,874	1,027,142	2,207,319	-

4. Material capital expenditures in the last year and impact on business performance

(1) Major capital spending and sources of capital:

Unit: NTD thousands

Project	Actual or expected source of capital	Actual payment 2020	Projected payment 2021
1. Purchase and improvement of workshops and machinery/equipment of the plant in Tainan Science Park (Note 1)	Operating capital and long-term borrowings	365,810	255,703
2. Remodeling of the building on Jilong Road (Note 2)			

(2) Expected benefits:

Note 1: The Company improved its existing equipment and enhanced its R&D skills in 2021 in response to the throughput demand of the Company in 2021.

Note 2: The Company applied the capital expenditure budget approved by the Board of Directors to the remodeling of the building on Jilong Road in order to cope with the demand for the growth in operation in the future of the Company.

5. Investment policy in the most recent year, causes of profit or loss incurred, and any improvements or investments planned for the next year

- (I) Re-investment Policy: Without affecting shareholder equity, it helps integrate overall resources throughout the Company and bring down the operating cost. The Company's investment policy is defined for the sake of making the best of diversified operational benefits through effective integration and planning of resources to cope with the rapidly changing industrial developments in the future and to enhance the competitive advantages of the Company.
- (II) Profit or loss: For the profits or losses of the reinvested company, refer to "Eight. Special Notes" of this Annual Report.
- (III) Causes of deficits: Glorystone Inc. suffers losses mainly because of the remodeling project of Hanns House.
- (IV) Improvement plans: Glorystone Inc. started operations at the end of 2019. In light of the spread of COVID-19, Hanns House has been working with the Taipei City Government as a quarantine hotel. Once the pandemic eases down in the future, operations will hopefully gradually stabilize.
- (V) Investment plans for the coming year: There are no other investment plans so far. If there are new investment plans, laws and regulations will be followed while such reinvestment plans are being carefully evaluated.

6. Analysis and assessment of risk issues

(1) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and response measures:

The Company gathers information regularly to identify all risks that are likely to affect its operations and profitability, including market risk, credit risk, liquidity risk, and cash flow risk. These risks are assessed on a regular basis with response measures planned for effective follow-up. For this reason, the management has been able to respond with effective risk management strategies.

The Company adopts the following control strategies to achieve its risk management targets:

1. Interest rate risk:

The group is exposed to interest rate risks arising from long-term and short-term borrowings. Loans borrowed at floating rate give rise to interest rate risks from cash flow changes; these risks are partially but not wholly mitigated by floating rate cash and cash equivalents held on hand. The Group reduces possible impact of interest rate variation by: closely monitoring market interest rate movements, adjusting short/medium/long term loans, negotiating for the most preferential borrowing rates with banks, exercising control over accounts receivable, inventory, and fixed asset turnover rates, and anticipating the timing of cash flow changes.

2. Exchange rate risk:

The Company adopts the following strategies for exchange rate risk control:

(1) More than 90% of the Company's revenues are denominated in USD, whereas payments are made primarily in NTD, followed by USD and JPY. NTD represents the Company's functional currency, and any significant change of exchange rate against HannsTouch's favor may have adverse impact on the Company's financial position. This is why the Company pays close attention to changes in the global economy, makes capital forecasts, and adjusts USD and JPY positions accordingly. Exchange rate changes are constantly monitored in conjunction with analysis reports from banks to facilitate responses such as borrowing, undertaking of currency forwards or swaps, or outright sale of foreign currency position. Stop-loss thresholds have been established to minimize impact of currency exchange, and therefore reduce exchange rate risks.

(2) The Company has established its own "Asset Acquisition and Disposal Procedures" in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the Securities and Futures Bureau, Financial Supervisory Commission, to govern the trading of financial derivatives as well as risk management, supervision, and auditing related to the use of such instruments. These procedures provide the Company with additional risk control when using financial instruments for the mitigation of exchange rate risk.

3. Inflation:

Most of the Company's products are exported, therefore domestic inflation has insignificant impact on profitability. Only when inflation rises on a global scale will it affect consumers' purchasing power and confidence, and impact overall revenues and profitability of the Company. However, inflation on a global scale would have a worldwide effect and not just the Company, which governments should have the capacity to respond. The Company will focus on the research, development, and sale of competitive products while at the same time explore ways to reduce production cost and mitigate the possible impacts of inflation on profitability.

(2) Policies on high-risk and highly leveraged investments, loans to external parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures:

1. The Company does not engage in high-risk or highly leveraged investment. All investments are executed after thorough assessment.
2. The Company has "Lending, Guarantee and Endorsement Procedures" and "Asset Acquisition and Disposal Procedures" in place. All matters concerning loans to others, endorsements, guarantees, and asset acquisition/disposal are executed according to relevant policies.
3. The Company transacts derivatives strictly in compliance with its "Asset Acquisition and Disposal Procedures." When purchasing raw materials, commodity, and machinery from foreign suppliers, the Company hedges the amount of foreign currency it needs in order to prevent any material change in purchase price due to exchange rate. The Company also tries to anticipate exchange rate movement and increase foreign currency positions where possible for natural hedge and more effective control of risk.

(3) Future research and development plans and projected expenses:

The Company will continue supporting its touch control solutions with the following research and development projects:

Project	R&D approach
Large-scale versus AMOLED product development	Joint research and development with customers
Development of highly trustworthy touch sensor technologies	Joint research and development with customers
Development of new TDDI structure of touch sensor technologies	Joint research and development with customers
Development of industrial control Touch MDL products	Joint research and development with customers
Development of flexible touch sensor process technologies and modularized products	Spontaneous research and development
Development of integrated technologies combining the touch feature and the circular polarizer	Joint development with material manufacturers
Development of high-specification electronic paper TFT driving back panel technologies	Spontaneous research and development
Development of flexible electronic paper TFT driving back panel technologies	Spontaneous research and development
Development of optical fingerprint identification sensor products	Joint research and development with customers
Development of AOI- AI smart detection automatic feedback systems	Joint development with AI manufacturers

Note: TDDI -Touch and Display Driver Integration

For 2021, it is expected that around NTD 39,157,000.00 will be invested in research and development. Primary factors affecting R&D programs in the future include the R&D capabilities of the R&D team, customer demand, and market trends. The Company will continue to develop outstanding R&D talent and proactively put in R&D resources in the future in order to cope with the constantly changing market and technological dynamics and to improve the competitive advantages of the Company.

(4) Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company has a Legal Affairs and IP Center that is responsible for gathering and analyzing major changes in market, policies, and regulations local and abroad, as well as proposing solutions in response. For this reason, the Company expects no material impact on financial or business performance from the above changes.

(5) Financial impacts and response measures in the event of technological or industrial changes:

The ratio of AMOLEDs in smart phones is increasing and the application has reached out from flagship devices to medium-to-high-end devices. For the matching touch technology, in rigid AMOLEDs, it is nearly 100% On-Cell framework. Due to the surplus in the throughput of LTPS TFT-LCDs, however, rigid AMOLEDs will be facing the low-price competition from LTPS TFT-LCDs to slow down in growth rate. In this regard, the countermeasures are provided below:

1. With the rigid AMOLED on Cell touch, the Company is already in a favorable position in terms of developments and demand on the market in the future. Subsequently, non-mobile-phone application and optimization of cost competitiveness will continue to be developed.
 2. The high value-added external PI flexible touch sensor satisfies the needs of manufacturers that are unable to produce flexible AMOLED touch sensors on their own or helps diversify the options available for AMOLED manufacturers to choose from.
 3. Besides capacitive touch products, through new technologies and processes that are developed, the Company has established the TFT back panel product utilization platform that may be widely applied to TFT-LCDs or electronic paper displays, etc.
 4. Constantly build new technologies and process platforms and continue to provide new technologies and products to be utilized in order to meet the demand on the market and become a world-class partner.
- (6) Crisis management, impacts, and response measures in the event of a change in corporate image:
- The Company has always upheld professionalism and integrity at the core of its business philosophy. For many years, the Company has made extensive efforts into maintaining corporate image and risk control, therefore no major crisis has occurred to date.
- (7) Expected benefits, risks, and response measures in relation to mergers and acquisitions: The Company currently has no merger or acquisition plan.
- (8) Expected benefits, risks, and response measures associated with plant expansions: None.
- (9) Risks and response measures associated with concentrated sales or purchases:
- On the sales aspect, the Company will strive to increase the weight of touch sensors in its product portfolio and diversify customers in ways that make the best use of existing production lines. As for input of key raw materials, the Company is actively exploring secondary suppliers for more diverse and stable sources of material supply, and therefore minimize concentration risks.
- (10) Impacts, risks, and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest: None.
- (11) Impacts, risks, and response measures associated with a change of management: There has been no change of management within the Company.
- (12) Major litigations, non-contentious cases, or administrative litigations involving the Company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the Company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:
1. Major litigations, non-contentious cases, or administrative litigations involving the Company:
 - (1) The Tainan District Prosecutors' Office, in November 2013, prosecuted the Company and the former Chairman and head of finance of the Company for suspected falsification and exaggeration of project funds, purchase of scrapped equipment, embezzlement of deposits, and collection of kickbacks, trying to hollow out the Group's assets, which is a breach-of-trust offense under the Securities and Exchange Act, the Criminal Code, the Business Entity Accounting Act, and the Tax Collection Act. The Tainan District Court Criminal Division already ruled in favor of the Company in December 2016. The court of second instance also maintained the guilty verdict for the other defendants in March 2019. In November 2020, the court of third instance ruled that part of the verdict reached in second instance shall be returned for reconsideration. Currently, the case is pending a verdict at the Tainan Branch of the Taiwan High Court. For the additional civil lawsuits filed against other defendants involved in the said case by the Company, the court of first instance ruled in January 2019 partially in favor of the Company and partially not. The Company has appealed as required by law and the case now is pending a verdict at the Tainan Branch of the Taiwan High Court. Projects and equipment involved in this case have all been written off in prior annual financial statements under depreciation, impairment, and recognized disposal losses. Therefore, they do not have impacts on the current financial standing of the Company.

(2) ICHIA Technologies Hungary Limited Liability Company filed a civil lawsuit with the Tainan District Court in June 2014 requesting payments for raw materials and supplies by the Company. It was ruled in favor of the Company in both the first instance in September 2015 and the second instance in January 2017. The verdict made by the court of third instance in October 2019 indicated that the case needed to be returned for reconsideration. The Company already settled with ICHIA Technologies Hungary Limited Liability Company and the payments settled were made in September 2020; the case was closed.

2. Litigations, non-contentious cases, and administrative litigations involving HannStar Display Corporation (referred to as "HannStar Display" below), a major shareholder of the Company with more than 10% ownership interest, in the last two years up till the publication date of annual report, are summarized as follows:

HannStar Display Corporation does not have lawsuits, non-lawsuits or administrative disputes without a finalized verdict or with ongoing proceedings that may significantly impact shareholder equity or prices of securities.

3. Litigations, non-contentious cases, or administrative litigations involving other directors, supervisors, President, person-in-charge, major shareholders with more than 10% ownership interest, or subsidiaries of the Company, whether concluded or pending judgment, in the last 2 years up till the publication date of this annual report: None.

(13) Other significant risks and response measures:

Analysis and explanation of information security risks and response measures

The Company has implemented "Information Security Policy" along with operational rules to enforce information security management. Information work plans are devised and duly executed, whereas uses, maintenance, and security of stored data are strictly managed. The Company adopts a complete range of network and terminal security protections including firewall, cloud e-mail ATP, antivirus software, and digital file management solution to control user access and record user history, which in turn reduces information security risks. These protection measures are updated and maintained on a routine basis, and the IT Division regularly conducts information security training and promotes employees' awareness on relevant issues. The following actions were taken during the year:

1. Information security control for computer terminals: Controls have been applied to processes such as system development, acquisition, maintenance, and processing as well as equipment including computer terminals, software, and network systems. Care has been taken to ensure that all operations conform with information security and legal requirements.
2. Management of confidential information: Protection of core technology and operational information is essential to strengthening the Company's competitive advantage. The Company requires all sensitive files to be password-protected, and educates employees regularly on the threat of computer virus, proper awareness toward information security, and ways to enforce information security and protect personal information for the reduction of information security risks.
3. IT system planning, hardware/software implementation and maintenance, database backup and recovery, and system security/protection/control: The Company adopts the use of virtual servers to reduce the number of physical servers. Doing so not only provides benefits in terms of environmental protection, energy conservation, and low maintenance cost, it also complements and enhances the Company's disaster prevention, information security, monitoring, reporting, exceptions management, and back-up practices.

7. Other important disclosures: None.

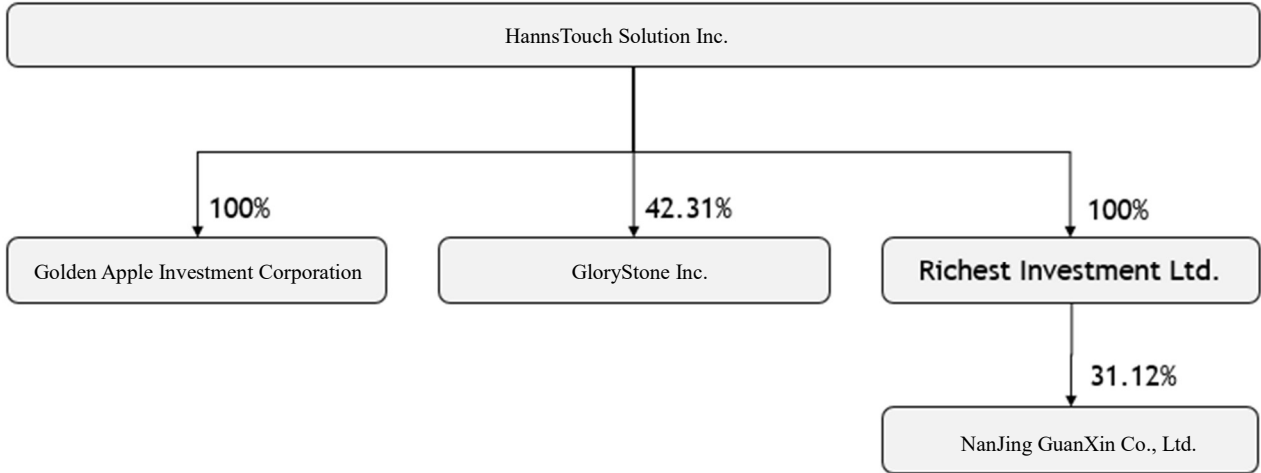
Eight. Special Disclosure

1. Information of affiliated companies

(1) Consolidated business report of affiliated companies:

1. Organizational chart of affiliated companies:

December 31, 2020



Note 1: The Company is the controller of the above companies, while the above companies are subordinates of the Company.

Note 2: Affiliated enterprises, as mentioned above, are defined according to Article 369-1 of The Company Act.

2. Profile of affiliated companies:

Name of entity	Date of incorporation	Address	Paid-up capital	Main business activities or products
Richest Investment Ltd.	2006.03.03	Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman, KY1-1112, Cayman Islands	USD 4,500,000	Investment
Golden Apple Investment Corporation	2016.01.29	5F, No. 21, Lane 168, Xingshan Road, Neihu District, Taipei City	NTD 150,000,000	Investment
Glorystone Inc.	2016.03.04	13F, No. 206, Section 1, Keelung Road, Xinyi District, Taipei City	NTD 520,000,000	Hospitality

3. Common shareholders in controlling and controlled companies: None.

4. Industries covered by affiliated companies and job specialization:

Industries: electronics, investment, hospitality, and restaurant.

Job specialization: None.

5. Directors, supervisors, and managers of affiliated companies:

December 31, 2020

Name of entity	Title	Name and the entity represented	Current shareholding	
			No. of shares	Shareholding percentage
Richest Investment Ltd. (Richest Investment)	Director	Chung-Han Lin (HannsTouch Solution)	4,500,000	100%
Golden Apple Investment Corporation	Chairman	WeiHsin Ma (HannsTouch Solution)	15,000,000	100%
Glorystone Inc.	Chairman	WeiHsin Ma (HannsTouch Solution)	22,000,000	42.31%
	Director	Yuan-Chen Li (HannsTouch Solution)	22,000,000	42.31%
	Director	Solution)	10,000,000	19.23%
	Supervisor	Chin Hsing Investment Co., Ltd. HannStar Display Corporation	20,000,000	38.46%

6. Performance of affiliated enterprises:

December 31, 2020; unit: NTD thousands

Name of entity	Currency	Share capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profit	Current period profit/loss (after tax)
Richest Investment Ltd.	USD	4,500	0	0	0	0	0	0
Golden Apple Investment Corporation	NTD	150,000	134,774	90	134,684	0	(1,179)	(15,679)
Glorystone Inc.	NTD	520,000	1,645,036	1,177,722	467,314	213,041	12,210	16,888

(2) Consolidated financial statements of affiliated companies:

HannsTouch Solution Incorporated

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

HannsTouch Solution Incorporated

Representative:

March 19, 2021

(3) Affiliation report: None.

2. Private placement of securities in the last year up till the publication date of annual report

Item	2017 first domestic private placement of unsecured ordinary corporate bonds				
Type of privately placed securities	Unsecured ordinary corporate bonds				
Date of board meeting and amount approved	October 27, 2017; NTD 1,800,000,000				
Pricing basis and rationality	Not applicable				
Selection of specific subscribers	Proceeded as specified in Article 43-6 of the Securities and Exchange Act				
Reasons for private placement	To ensure the timeliness and feasibility of the Company's fund-raising plan				
Payment completion date	November 28, 2017				
Subscriber's background	Place of private placement	Eligibility	Subscription amount (NTD thousand)	Relationship with the Company	Involvement in the Company's management
	HannStar Display Corporation	Subparagraph 3, Paragraph 1, Article 43-6 of the Securities and Exchange Act	1,800,000	Related party	Major shareholder with 10% or higher ownership interest
Actual subscription (or conversion) price	This ordinary corporate bond was issued via private placement, hence not applicable				
Difference between the actual subscription (or conversion) price and the reference price	This ordinary corporate bond was issued via private placement, hence not applicable				
Impact of private placement on shareholders' equity	This ordinary corporate bond was issued via private placement, hence not applicable				
Planned and actual usage of privately raised capital	The plan has been fully executed to date				
Benefits of the private equity placement	Provision of working capital				

3. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report: Not applicable

4. Other supplementary information: None

Nine. Occurrences of Significant Impact on Shareholders' Equity or Security Prices

Occurrences significant to shareholders' interests or securities price, as defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the last year up till the publication date of annual report: None

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of HannsTouch Solution Incorporated

Opinion

We have audited the accompanying consolidated balance sheets of HannsTouch Solution Incorporated and subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group 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 Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Key Audit Matter – Recognition of overseas warehouse operating revenue

Description

Refer to Note 4(32) for accounting policy on revenue recognition in the financial statements.

The Group stores inventories in the warehouses under the custody of foreign third parties. Such inventories are checked and accepted by the custodians in order to meet the requirements of overseas sales customers. The custodians regularly send inventory reports to the Group to verify the quantity, and the Group recognises operating revenue based on actual used inventories at customer side which are shown in the inventory report provided by the custodians.

As the process of revenue recognition of the Group's foreign warehouse involves numerous manual procedures, we identified the recognition of overseas warehouse operating revenue as a key audit matter.

How our audit addressed the matter:

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of and evaluated the Group's procedures on overseas warehouse operating revenue, and selected samples to check the accuracy of operating revenue recognition.
2. Performed cutoff procedures on sales revenue from distribution warehouse recognised during a specific period before and after the period-end, including verifying delivery schedule of distribution warehouse and ensuring the movements of inventories contained in the statements and cost of goods sold had been recognised in the appropriate period; and
3. Performed confirmation for significant warehouses.

Key audit matter- Impairment assessment on property, plant and equipment

Description

Refer to Notes 4(19), 5(2) and 6(8) for accounting policy applied on impairment of property, plant and equipment, accounting estimates and assumptions applied on the impairment assessment of tangible assets and details of impairment.

The Group has appointed appraisers to appraise the property, plant and equipment in Taipei and to value the recoverable amount as the basis for assessing the impairment of property, plant and equipment.

The recoverable amount is calculated through income approach and comparison method. The

determination of the recoverable amount is subject to management judgement and uncertainty, which could have a significant impact in assessing whether there is any impairment loss on property, plant and equipment. Thus, we considered the impairment assessment of property, plant and equipment as a key audit matter.

How our audit addressed the matter:

We understood the basis and process of management's assessment and performed the following audit procedures in respect of the above key audit matter:

1. Assessed the expected future income used in the experts' appraisal report and compared with local market price and forecast documents for the industry.
2. Assessed the discount rate used in the experts' appraisal report and inspected the assumptions of cost of capital with return on similar assets in the market.
3. Examined the parameters of valuation model in the experts' appraisal report and setting of formulas.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of HannsTouch Solution Incorporated as at and for the years ended December 31, 2020 and 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the

Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those 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 consolidated financial statements of the current period 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.

[Signature]

Chen, Ching Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

[Signature]

Lin, Chun-Yao

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HANNSTOUCH SOLUTION INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020	December 31, 2019
Current assets			
1100	Cash and cash equivalents	\$ 1,789,028	\$ 402,233
1110	Financial assets at fair value through profit or loss - current	55,505	48,156
1136	Current financial assets at amortised cost, net	664,832	156,063
1170	Accounts receivable, net	252,068	386,141
1180	Accounts receivable - related parties	16,894	451
1200	Other receivables	32,560	3,051
130X	Inventory	198,729	176,155
1460	Non-current assets or disposal groups classified as held for sale, net	2,575,574	-
1476	Other current financial assets	59,390	81,751
1479	Other current assets	39,350	52,419
11XX	Total current assets	<u>5,683,930</u>	<u>1,306,420</u>
Non-current assets			
1510	Non-current financial assets at fair value through profit or loss	-	6,560
1517	Non-current financial assets at fair value through other comprehensive income	193,411	-
1600	Property, plant and equipment	10,862,154	14,132,137
1755	Right-of-use assets	335,723	1,007,378
1780	Intangible assets	17,377	71,105
1840	Deferred income tax assets	333,480	436,419
1900	Other non-current assets	3,398	81,916
15XX	Total non-current assets	<u>11,745,543</u>	<u>15,735,515</u>
1XXX	Total assets	<u>\$ 17,429,473</u>	<u>\$ 17,041,935</u>

(Continued)

HANNSTOUCH SOLUTION INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020	December 31, 2019
Current liabilities			
2100	Short-term borrowings	\$ -	\$ 30,000
2120	Financial liabilities at fair value through profit or loss - current	1	-
2150	Notes payable	217	1,903
2170	Accounts payable	136,660	163,274
2180	Accounts payable - related parties	2,486	18
2200	Other payables	372,424	473,792
2220	Other payables - related parties	1,964	4,015
2230	Current income tax liabilities	25,895	3,528
2280	Current lease liabilities	30,794	83,033
2320	Long-term liabilities, current portion	233,333	600,000
2399	Other current liabilities	1,128,467	11,926
21XX	Total current liabilities	<u>1,932,241</u>	<u>1,371,489</u>
Non-current liabilities			
2530	Corporate bonds payable	900,000	900,000
2540	Long-term borrowings	4,526,667	4,160,000
2570	Deferred income tax liabilities	779	17,908
2580	Non-current lease liabilities	311,971	936,123
2670	Other non-current liabilities	47,127	16,584
25XX	Total non-current liabilities	<u>5,786,544</u>	<u>6,030,615</u>
2XXX	Total liabilities	<u>7,718,785</u>	<u>7,402,104</u>
Equity			
Equity attributable to owners of parent			
	Share capital		
3110	Common stock	8,069,485	8,069,485
	Capital surplus		
3200	Capital surplus	312,925	312,925
	Retained earnings		
3310	Legal reserve	109,361	12,398
3320	Special reserve	14,100	14,100
3350	Unappropriated retained earnings	941,680	971,071
	Other equity interest		
3400	Other equity interest	(6,457)	-
31XX	Equity attributable to owners of the parent	<u>9,441,094</u>	<u>9,379,979</u>
36XX	Non-controlling interest	269,594	259,852
3XXX	Total equity	<u>9,710,688</u>	<u>9,639,831</u>
	Significant contingent liabilities and unrecognised contract commitments	9	
	Significant events after the balance sheet date	11	
3X2X	Total liabilities and equity	<u>\$ 17,429,473</u>	<u>\$ 17,041,935</u>

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

HANNSTOUCH SOLUTION INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31	
			2020	2019
4000	Sales revenue	6(21) and 7	\$ 3,086,399	\$ 4,403,816
5000	Operating costs	6(6)(25) and 7	(2,375,024)	(2,741,916)
5950	Net operating margin		<u>711,375</u>	<u>1,661,900</u>
	Operating expenses	6(25) and 7		
6100	Selling expenses		(27,311)	(53,680)
6200	General and administrative expenses		(224,588)	(303,634)
6300	Research and development expenses		(40,679)	(43,498)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	45	(148)
6000	Total operating expenses		(292,533)	(400,960)
6900	Operating profit		<u>418,842</u>	<u>1,260,940</u>
	Non-operating income and expenses			
7100	Interest income	6(22)	3,463	2,884
7010	Other income	6(23)	153,745	36,931
7020	Other gains and losses	6(24) and 7	(16,183)	24,825
7050	Finance costs	7	(97,247)	(148,536)
7000	Total non-operating income and expenses		43,778	(83,896)
7900	Profit before income tax		<u>462,620</u>	<u>1,177,044</u>
7950	Income tax expense	6(26)	(102,874)	(192,526)
8200	Profit for the year		<u>\$ 359,746</u>	<u>\$ 984,518</u>
8311	Actuarial gains on defined benefit plans	6(16)	\$ -	\$ 1,803
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(8,071)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	1,614	(361)
8500	Total comprehensive income for the year		<u>\$ 353,289</u>	<u>\$ 985,960</u>
	Profit (loss), attributable to:			
8610	Owners of the parent		<u>\$ 350,004</u>	<u>\$ 1,018,057</u>
8620	Non-controlling interest		<u>\$ 9,742</u>	<u>(\$ 33,539)</u>
	Comprehensive income attributable to:			
8710	Owners of the parent		<u>\$ 343,547</u>	<u>\$ 1,019,499</u>
8720	Non-controlling interest		<u>\$ 9,742</u>	<u>(\$ 33,539)</u>
	Earnings per share (in dollars)	6(27)		
9750	Basic earnings per share		<u>\$ 0.43</u>	<u>\$ 1.35</u>
9850	Diluted earnings per share		<u>\$ 0.43</u>	<u>\$ 1.35</u>

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

HANNSTOUCH SOLUTION INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										
	Notes	Capital Reserves			Retained Earnings			Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non- controlling interest	Total equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Capital surplus, difference between consideration and carrying amount of subsidiaries acquired or disposed	Capital surplus, others	Legal reserve	Special reserve					Unappropriate d retained earnings
Year ended December 31, 2019											
Balance at January 1, 2019	\$7,369,485	\$ 61,616	\$ 919	\$ -	\$ 12,398	\$ 14,100	(\$ 48,428)	\$ -	\$7,410,090	\$ 293,391	\$7,703,481
Profit for the year	-	-	-	-	-	-	1,018,057	-	1,018,057	(33,539)	984,518
Other comprehensive income	-	-	-	-	-	-	1,442	-	1,442	-	1,442
Total comprehensive income	-	-	-	-	-	-	1,019,499	-	1,019,499	(33,539)	985,960
Proceeds from issuance of shares 6(18)	700,000	247,419	-	2,971	-	-	-	-	950,390	-	950,390
Balance at December 31, 2019	<u>\$8,069,485</u>	<u>\$ 309,035</u>	<u>\$ 919</u>	<u>\$ 2,971</u>	<u>\$ 12,398</u>	<u>\$ 14,100</u>	<u>\$ 971,071</u>	<u>\$ -</u>	<u>\$9,379,979</u>	<u>\$ 259,852</u>	<u>\$9,639,831</u>
Year ended December 31, 2020											
Balance at January 1, 2020	\$8,069,485	\$ 309,035	\$ 919	\$ 2,971	\$ 12,398	\$ 14,100	\$ 971,071	\$ -	\$9,379,979	\$ 259,852	\$9,639,831
Profit for the year	-	-	-	-	-	-	350,004	-	350,004	9,742	359,746
Other comprehensive loss	-	-	-	-	-	-	-	(6,457)	(6,457)	-	(6,457)
Total comprehensive income	-	-	-	-	-	-	350,004	(6,457)	343,547	9,742	353,289
Appropriations of 2019 earnings: 6(20)											
Legal reserve	-	-	-	-	96,963	-	(96,963)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(282,432)	-	(282,432)	-	(282,432)
Balance at December 31, 2020	<u>\$8,069,485</u>	<u>\$ 309,035</u>	<u>\$ 919</u>	<u>\$ 2,971</u>	<u>\$ 109,361</u>	<u>\$ 14,100</u>	<u>\$ 941,680</u>	<u>(\$ 6,457)</u>	<u>\$9,441,094</u>	<u>\$ 269,594</u>	<u>\$9,710,688</u>

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

HANNSTOUCH SOLUTION INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 462,620	\$ 1,177,044
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(25)	985,385	1,015,060
Expected credit (gain) loss on doubtful accounts	12(2)	(45)	148
Amortisation	6(25)	8,029	6,692
Interest expense		97,247	148,599
Interest income	6(22)	(3,463)	(2,884)
Dividend income	6(23)	-	(4,430)
Loss (gain) on disposals of property, plant and equipment	6(24)	10,634	(13,362)
Gain on financial assets at fair value through profit or loss	6(2)	(2,195)	(38,585)
Share-based payment	6(17)	-	5,390
Gain on lease modification	6(9)	(10)	-
Reversal of impairment loss recognised in profit or loss, non-financial assets	6(24)	(28,698)	-
Gain on disposal subsidiaries	6(24)	(3,741)	-
Other income-gain on pension settlement	6(23)	(2,339)	-
Other income-gain on litigation settlement	6(23)	(39,600)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		4,673	86,627
Accounts receivable		131,925	(151,879)
Accounts receivable - related parties		(16,443)	(451)
Other receivables		(30,611)	37,144
Other receivables - related parties		55,507	-
Inventory		(22,574)	(53,478)
Prepaid pension		-	(813)
Other current assets		9,484	(359)
Changes in operating liabilities			
Notes payable		(1,159)	841
Accounts payable		(25,632)	73,629
Accounts payable - related parties		2,468	(55)
Other payables		7,314	76,575
Other payables - related parties		678	(2,202)
Other current liabilities		9,935	3,951
Other non-current liabilities		30,749	16,308
Cash inflow generated from operations		1,640,138	2,379,510
Interest received		3,407	3,355
Cash dividends received		-	4,430
Interest paid		(87,577)	(132,400)
Income taxes paid		-	(2,765)
Net cash flows from operating activities		1,555,968	2,252,130

(Continued)

HANNSTOUCH SOLUTION INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in current financial assets at amortised cost		(\$ 508,769)	\$ 258,937
Acquisition of property, plant and equipment	6(29)	(365,810)	(514,141)
Proceeds from disposal of property, plant and equipment		524	13,362
Acquisition of intangible assets		(1,200)	-
Decrease (increase) in other non-current assets		61,892	(11)
Acquisition of subsidiaries (less cash)	6(28)	-	18,701
Proceeds from disposal subsidiaries (less cash)	6(29)	86,414	-
Financial assets at fair value through other comprehensive income		(201,482)	-
Advance receipts for the sale of property, plant and equipment	7	1,108,000	-
Decrease (increase) in other current financial assets		22,361	(30,927)
Net cash flows from (used in) investing activities		<u>201,930</u>	<u>(254,079)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of short-term debt		(30,000)	(490,000)
Repayment of long-term debt		-	(1,988,388)
Proceeds from long-term debt		600,000	-
Repayment of corporate bonds payable		(600,000)	(300,000)
Repayment of lease liabilities		(58,671)	(81,106)
Seasoned equity offering		-	902,583
Exercise of employee stock options		-	42,417
Cash dividends paid	6(20)	(282,432)	-
Net cash flows used in financing activities		<u>(371,103)</u>	<u>(1,914,494)</u>
Net increase in cash and cash equivalents		1,386,795	83,557
Cash and cash equivalents at beginning of year	6(1)	<u>402,233</u>	<u>318,676</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,789,028</u>	<u>\$ 402,233</u>

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

HANNSTOUCH SOLUTION INCORPORATED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

HannsTouch Solution Incorporated (the ‘Company’) was incorporated in September 1999 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sale of touch products, lease of property and hotel business. The common shares of the Company have been listed on the Taiwan Stock Exchange since September 27, 2002.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on March 19, 2021.

3. Application of New Standards, Amendments and Interpretations

(一) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(三) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRSs 2018-2020 cycle	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

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

(一) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the

“Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(二) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group classified’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial Consolidated statements are disclosed in Note 5.

(三) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
HannsTouch Solution Incorporated	Richest Investment Ltd. (Richest Investment)	Investment	100.00	100.00	-
HannsTouch Solution Incorporated	Golden Apple Investment Corporation (Golden Apple Investment)	Investment	100.00	100.00	-
HannsTouch Solution Incorporated	Glory Stone Inc. (Glory Stone)	Hotel business	42.31	42.31	Note 1
Glory Stone Inc.	Mian-Lu Corp. (Mian-Lu)	Food service	-	100.00	Note 3
Golden Apple Investment Corporation	Chaiin Hotel Co.,Ltd (Chaiin Hotel)	Hotel business	19.00	100.00	Note 2

Note 1: Although HannsTouch Solution only held 42.31% equity interest in Glory Stone, the Group accounted for two thirds of the Board of Directors and had relatively major voting rights than other shareholders. Therefore, Glory Stone was included in the consolidation.

Note 2: Golden Apple Investment acquired 100% common shares in Chaiin Hotel, and had completed the related procedure in April 2019. However, Golden Apple Investment disposed of 81% equity interest of Chaiin Hotel in May 2020, and the Group has lost control over Chaiin Hotel. Hence, Chaiin Hotel. was excluded from the consolidation on December 31, 2020.

Note 3: Glory Stone had disposed of 100% equity interest in Mian-Lu Corp. on July 28, 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

As of December 31, 2020 and 2019 the non-controlling interest amounted to \$269,594 and \$259,852, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal business	Non-controlling interest				Description
		December 31, 2020		December 31, 2019		
		Amount	Ownership (%)	Amount	Ownership (%)	
Glory Stone	Taiwan	<u>\$ 269,594</u>	57.69%	<u>\$ 259,852</u>	57.69%	

Summarised financial information of the subsidiaries:

Balance sheets

	Glory Stone	
	December 31, 2020	December 31, 2019
Current assets	\$ 134,852	\$ 216,222
Non-current assets	1,510,184	1,484,787
Current liabilities	(108,288)	(136,586)
Non-current liabilities	(1,069,434)	(1,113,996)
Total net assets	<u>\$ 467,314</u>	<u>\$ 450,427</u>

Statements of comprehensive income

	Glory Stone	
	Year ended December 31	
	2020	2019
Revenue	\$ 213,041	\$ 8,244
Profit (loss) before income tax	16,244	(66,646)
Income tax benefit	644	8,509
Net profit (loss)	<u>\$ 16,888</u>	<u>(\$ 58,137)</u>
Total comprehensive income (loss)	<u>\$ 16,888</u>	<u>(\$ 58,137)</u>
Comprehensive income (loss) attributable to non-controlling interest	<u>\$ 9,742</u>	<u>(\$ 33,539)</u>

Statements of cash flows

	Glory Stone	
	Year ended December 31	
	2020	2019
Net cash provided by (used in) operating activities	\$ 139,113	(\$ 37,822)
Net cash flows (used in) from investing activities	(91,471)	22,114
Net cash used in financing activities	(47,290)	(839)
Increase (decrease) in cash and cash equivalents	352	(16,547)
Cash and cash equivalents, beginning of year	44,820	61,367
Cash and cash equivalents, end of year	\$ 45,172	\$ 44,820

(四) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NTD, which is the Group's functional and presentation currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

(五) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are

to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(六) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(七) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

- (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(九) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(十) Accounts receivable

- A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(十一) Impairment of financial assets

For financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or

contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(十 二) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(十 三) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(十 四) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(十 五) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(十 六) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must

be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~35 years
Machinery equipments	3~10 years
Furniture and fixtures	2~5 years
Other equipments	2~10 years

(十 七) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
 - (b) Variable lease payments that depend on an index or a rate; and
 - (c) Amounts expected to be payable by the lessee under residual value guarantees.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(十八) Intangible assets

Software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 6 years.

(十九) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(二十) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(二十一) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(二十二) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities designated at fair value through profit or loss on initial recognition. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(二十三) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'financial cost' over the period of bond circulation using the effective interest method.

(二十四) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(二十五) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(二十六) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, as a deduction of sales revenue in the period when related products are sold.

(二十七) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plan is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(二十八) Employee share-based payment

For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at fair value, and recognised as compensation cost and liability over the vesting period. The fair value of the liability is remeasured at each balance sheet date and settlement date, with any change in fair value recognised in profit or loss.

(二十九) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(三十) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(三十一) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders. Cash dividends are recorded as liabilities.

(三十二) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells touch panel and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for

acceptance have been satisfied.

- (b) Sales revenue of products was recognised based on the contract price net of sales returns and discount. The sales returns and discounts are estimated based on the anticipated annual sales quantities. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the anticipated annual sales quantities, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales returns and discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the control was transferred with a credit term of 60 days, which is consistent with market practice.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Leases

The Group is engaged in the leasing of certain property classified as operating leases based on the lease condition. The lease payments received during the leasing period on a straight line basis are recognised as property lease income.

C. Food services, sale of hotel products, accommodation and related services

- (a) Revenue from food services and sale of hotel products are recognised upon transfer of the items to customers. Payment of the transaction price is due immediately when the customer purchases products.
- (b) Revenue from accommodation is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule.
- (c) As the time interval between the transfer of committed goods or services and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(三十三) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(三十四) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities

incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

- B. The excess of the consideration transferred of the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(三十五) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(一) Critical judgements in applying the Group's accounting policies

None.

(二) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

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

B. Realisability of deferred tax assets

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

industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2020, the Group recognised deferred tax assets amounting to \$333,480.

6. Details of Significant Accounts

(一) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 375	\$ 745
Checking accounts and demand deposits	288,653	280,488
Time deposits	1,500,000	121,000
	<u>\$ 1,789,028</u>	<u>\$ 402,233</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Certain cash and cash equivalents which were pledged as collaterals and restricted have been transferred to other financial assets. Please refer to Notes 6(7) and 8 for details.
- C. As of December 31, 2020 and 2019, time deposits with maturity over three months amounting to \$494,832 and \$156,063, respectively, were reclassified as financial assets at amortised cost due to its lack of high liquidity in nature. Please refer to Note 6(4) for details.

(二) Financial assets/liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 216	\$ -
Unlisted stocks	50,157	40,332
Non-hedging derivatives	234	927
	<u>\$ 50,607</u>	<u>\$ 41,259</u>
Valuation adjustment	4,898	6,897
Total	<u>\$ 55,505</u>	<u>\$ 48,156</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	<u>\$ 1</u>	<u>\$ -</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	<u>\$ -</u>	<u>\$ 6,560</u>

- A. The nature of financial assets at fair value through profit or loss are as follows:

- (a) Equity instruments: including listed, unlisted and emerging stocks.
- (b) Derivative instruments: including forward foreign exchange contracts, foreign exchange options and put options.
- B. The Group's non-hedging financial derivatives - put option (shown as non-current financial assets at fair value through profit or loss, mandatorily measured at fair value) pertain to a 100% equity interest in Chaiin Hotel which was acquired on April 30, 2019 and will be generated from the contract upon exercise of put options and call options of equity transaction in the future. Further, in May 2020, the put options were exercised, and accordingly, the shareholding ratio decreased from 100% to 19%, which was shown as financial assets at fair value through profit or loss.
- C. Amounts recognised in profit or loss in relation to financial assets/liabilities at fair value through profit or loss are listed below:

	Year ended December 31	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 1,999)	\$ 36,911
Derivative instruments	4,194	1,674
	<u>\$ 2,195</u>	<u>\$ 38,585</u>

- D. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative financial instruments</u>	December 31, 2020		
	Contract amount		Contract period
	<u>(Notional principal)</u>	<u>(In thousands)</u>	
Presale forward exchange contracts			
-Sell USD and buy NTD	USD	\$ 4,000	2020/12/8-2021/2/5
-Sell USD and buy JPY	USD	200	2020/12/25-2021/1/28

<u>Derivative financial instruments</u>	December 31, 2019		
	Contract amount		Contract period
	<u>(Notional principal)</u>	<u>(In thousands)</u>	
Presale forward exchange contracts			
-Sell USD and buy NTD	USD	\$ 5,000	2019/12/13-2020/2/3
Option contract			
-Put options	USD	\$ 2,000	2019/12/9-2020/1/9

The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- E. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.
- F. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 201,482	\$ -
Valuation adjustment	(8,071)	-
	<u>\$ 193,411</u>	<u>\$ -</u>

- A. The Group has elected to classify equity investments that are considered to have stable dividend as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$193,411 as at December 31, 2020.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2020	2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 8,071)	\$ -

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(四) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with maturity over three months	\$ 494,832	\$ 156,063
Bills with repurchase agreement	170,000	-
	<u>\$ 664,832</u>	<u>\$ 156,063</u>

A. The Group recognised interest income in profit or loss in relation to financial assets at amortised cost in the amount of \$1,125 and \$1,978 for the years ended December 31, 2020 and 2019, respectively.

B. The Group has no financial assets at amortised cost pledged to others as collateral.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(五) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 272,960	\$ 426,640
Less: Allowance for sales returns and discounts	(20,803)	(40,362)
Loss allowance	(89)	(137)
	<u>\$ 252,068</u>	<u>\$ 386,141</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2020	December 31, 2019
	Accounts receivable	Accounts receivable
Not past due	\$ 272,960	\$ 425,277
Up to 30 days	-	1,363
	<u>\$ 272,960</u>	<u>\$ 426,640</u>

The above ageing analysis was based on past due date.

B. The Group has no accounts receivable pledged as collaterals.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(六) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 62,886	(\$ 12,264)	\$ 50,622
Work in progress	30,204	-	30,204
Finished goods	133,337	(16,063)	117,274
Room supplies (including food and beverage)	629	-	629
	<u>\$ 227,056</u>	<u>(\$ 28,327)</u>	<u>\$ 198,729</u>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 56,370	(\$ 8,948)	\$ 47,422
Work in progress	31,136	-	31,136
Finished goods	104,319	(6,722)	97,597
	<u>\$ 191,825</u>	<u>(\$ 15,670)</u>	<u>\$ 176,155</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2020	2019
Cost of goods sold	\$ 2,058,586	\$ 2,696,571
Unallocated overhead expense	299,522	30,471
Loss on decline in market value	12,657	7,308
Scrapped inventory	4,259	7,566
	<u>\$ 2,375,024</u>	<u>\$ 2,741,916</u>

(七) Other current financial assets

	December 31, 2020	December 31, 2019
Time deposits pledged	\$ 38,489	\$ 38,741
Restricted bank deposits	20,901	43,010
	<u>\$ 59,390</u>	<u>\$ 81,751</u>

Refer to Note 8 for further information on other current financial assets pledged to others as collateral.

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(八) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Leasehold improvements</u>	<u>Machinery and equipment</u>	<u>Furniture and fixtures</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<u>January 1, 2020</u>								
Cost	\$ 4,974,140	\$ 9,927,045	\$ 268,023	\$ 8,057,766	\$ 12,301	\$ 63,365	\$ 460,439	\$ 23,763,079
Accumulated depreciation and impairment	-	(3,178,405)	(166,006)	(6,224,940)	(4,169)	(57,422)	-	(9,630,942)
	<u>\$ 4,974,140</u>	<u>\$ 6,748,640</u>	<u>\$ 102,017</u>	<u>\$ 1,832,826</u>	<u>\$ 8,132</u>	<u>\$ 5,943</u>	<u>\$ 460,439</u>	<u>\$ 14,132,137</u>
<u>2020</u>								
At January 1	\$ 4,974,140	\$ 6,748,640	\$ 102,017	\$ 1,832,826	\$ 8,132	\$ 5,943	\$ 460,439	\$ 14,132,137
Additions	-	115,893	-	-	9,132	9,188	186,100	320,313
Disposals	-	(10,454)	-	(684)	(20)	-	-	(11,158)
Reclassifications (Note 2)	-	(1,984,107)	-	19,437	26,750	(2,878)	(637,882)	(2,578,680)
Depreciation	-	(473,564)	(6,896)	(441,940)	(7,061)	(1,882)	-	(931,343)
Proceeds from disposal of subsidiaries	-	(1,533)	(95,121)	-	(1,005)	(154)	-	(97,813)
Reversal of impairment loss (Note 3)	-	28,698	-	-	-	-	-	28,698
At December 31	<u>\$ 4,974,140</u>	<u>\$ 4,423,573</u>	<u>\$ -</u>	<u>\$ 1,409,639</u>	<u>\$ 35,928</u>	<u>\$ 10,217</u>	<u>\$ 8,657</u>	<u>\$ 10,862,154</u>
<u>December 31, 2020</u>								
Cost	\$ 4,974,140	\$ 6,730,299	\$ -	\$ 8,075,148	\$ 46,106	\$ 69,309	\$ 8,657	\$ 19,903,659
Accumulated depreciation and impairment	-	(2,306,726)	-	(6,665,509)	(10,178)	(59,092)	-	(9,041,505)
	<u>\$ 4,974,140</u>	<u>\$ 4,423,573</u>	<u>\$ -</u>	<u>\$ 1,409,639</u>	<u>\$ 35,928</u>	<u>\$ 10,217</u>	<u>\$ 8,657</u>	<u>\$ 10,862,154</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Leasehold improvements</u>	<u>Machinery and equipment</u>	<u>Furniture and fixtures</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<u>January 1, 2019</u>								
Cost	\$ -	\$ 9,093,496	\$ -	\$ 9,071,853	\$ 9,502	\$ 83,252	\$ 130,269	\$ 18,388,372
Accumulated depreciation and impairment	-	(2,681,303)	-	(6,797,636)	(2,148)	(75,856)	-	(9,556,943)
	<u>\$ -</u>	<u>\$ 6,412,193</u>	<u>\$ -</u>	<u>\$ 2,274,217</u>	<u>\$ 7,354</u>	<u>\$ 7,396</u>	<u>\$ 130,269</u>	<u>\$ 8,831,429</u>
<u>2019</u>								
At January 1	\$ -	\$ 6,412,193	\$ -	\$ 2,274,217	\$ 7,354	\$ 7,396	\$ 130,269	\$ 8,831,429
Additions	-	-	-	-	857	-	380,752	381,609
Acquired from business combinations	-	-	116,099	-	63	194	-	116,356
Reclassifications	4,974,140	767,362	-	25,957	1,806	92	(50,582)	5,718,775
Depreciation	-	(430,915)	(14,082)	(467,348)	(1,948)	(1,739)	-	(916,032)
At December 31	<u>\$ 4,974,140</u>	<u>\$ 6,748,640</u>	<u>\$ 102,017</u>	<u>\$ 1,832,826</u>	<u>\$ 8,132</u>	<u>\$ 5,943</u>	<u>\$ 460,439</u>	<u>\$ 14,132,137</u>
<u>December 31, 2019</u>								
Cost	\$ 4,974,140	\$ 9,927,045	\$ 268,023	\$ 8,057,766	\$ 12,301	\$ 63,365	\$ 460,439	\$ 23,763,079
Accumulated depreciation and impairment	-	(3,178,405)	(166,006)	(6,224,940)	(4,169)	(57,422)	-	(9,630,942)
	<u>\$ 4,974,140</u>	<u>\$ 6,748,640</u>	<u>\$ 102,017</u>	<u>\$ 1,832,826</u>	<u>\$ 8,132</u>	<u>\$ 5,943</u>	<u>\$ 460,439</u>	<u>\$ 14,132,137</u>

Note 1: Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

Note 2: On November 5, 2020, the Group considered the efficiency of assets and the utilization of assets, and decided to dispose 1F to 3F of the plant located in Southern Taiwan Science Park after the resolution of the Board of Directors. Accordingly, the related assets were transferred into ‘disposal group held for sale’ in the amount of \$2,575,574. Please refer to Note 6(11) for details.

Note 3: A gain on reversal of impairment loss on certain properties amounting to \$28,698 was recognised from the difference between the carrying amount and recoverable amount which was shown as other gains and losses. Please refer to Note 12(3) for related fair value information.

(九) Lease transactions – lessee

- A. The Group leases various assets including land, buildings, machinery and business vehicles. Rental contracts are typically made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise offices and parking lots. Low-value assets comprise foreign warehouse and dormitory.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 325,143	\$ 342,069
Buildings and structures	-	652,872
Transportation equipment (Business vehicles)	64	192
Other equipment	10,516	12,245
	<u>\$ 335,723</u>	<u>\$ 1,007,378</u>

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 31,605	\$ 30,304
Buildings and structures	20,580	42,146
Transportation equipment (Business vehicles)	128	128
Other equipment	1,729	1,729
	<u>\$ 54,042</u>	<u>\$ 74,307</u>

- D. The movements of right-of-use assets of the Group during the 2020 and 2019 are as follows:

	2020				
	Land	Buildings and structures	Transportation equipment (Business vehicles)	Other equipment (Tank)	Total
At January 1	\$ 342,069	\$ 652,872	\$ 192	\$ 12,245	\$ 1,007,378
Modification	14,679	(986)	-	-	13,693
Depreciation	(31,605)	(20,580)	(128)	(1,729)	(54,042)
Proceeds from disposal of subsidiaries	-	(631,306)	-	-	(631,306)
At December 31	<u>\$ 325,143</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 10,516</u>	<u>\$ 335,723</u>

	2019				
	Land	Buildings and structures	Transportation equipment (Business vehicles)	Other equipment (Tank)	Total
At January 1	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	372,373	1,972	320	13,974	388,639
Acquired from business combinations	-	693,046	-	-	693,046
Depreciation	(30,304)	(42,146)	(128)	(1,729)	(74,307)
At December 31	<u>\$ 342,069</u>	<u>\$ 652,872</u>	<u>\$ 192</u>	<u>\$ 12,245</u>	<u>\$ 1,007,378</u>

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,427	\$ 15,551
Expense on short-term lease contracts	3,163	2,548
Expense on leases of low-value assets	2,829	4,564
Gains arising from lease modifications	10	-

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$64,663 and \$88,218, respectively.

(+) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<u>January 1, 2019</u>				
Cost	\$ 4,974,140	\$ 539,060	\$ 140,224	\$ 5,653,424
Accumulated depreciation	-	(41,466)	-	(41,466)
	<u>\$ 4,974,140</u>	<u>\$ 497,594</u>	<u>\$ 140,224</u>	<u>\$ 5,611,958</u>
<u>2019</u>				
At January 1	\$ 4,974,140	\$ 497,594	\$ 140,224	\$ 5,611,958
Additions	-	-	141,859	141,859
Reclassifications	(4,974,140)	(472,873)	(282,083)	(5,729,096)
Depreciation	-	(24,721)	-	(24,721)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>				
Cost	\$ -	\$ -	\$ -	\$ -
Accumulated depreciation	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Group's hotel property in Xinyi District is operated by the Group starting from the 4th quarter of 2019. As the owner-occupied portion of the property is significant, the investment property was reclassified to property, plant and equipment, and the balance of investment property as of December 31, 2020 and 2019 was \$0 for both years.

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended December 31, 2019</u>
Rental income from investment property	\$ -
Direct operating expenses arising from the investment property that did not generate rental income during the year	<u>\$ 35,897</u>

B. Amount of borrowing costs capitalised as part of investment property and the interest rate for such capitalisation are as follows:

	Year ended December 31, 2019
Amount capitalised	\$ 1,689
Interest rate for capitalisation	1.45%

C. Information about the investment property that was pledged to others as collateral is provided in Note 8.

(+ 一) Non-current assets held for sale

On November 5, 2020, the Group considered the efficiency and utilization of assets, and decided to dispose the 1F to 3F of the plant located in Southern Taiwan Science Park after the resolution of the Board of Directors. The disposal transaction amount was \$2,770,000. As of December 31, 2020, the disposal proceeds received in advance amounted to \$1,108,000 (shown as other current liabilities) and the related assets were transferred as ‘disposal group held for sale’.

Further, in February 2021, the Group collected additional proceeds from the disposal amounting to \$554,000.

Assets of disposal group held for sale:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 2,575,574	\$ -

(+ 二) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Type of Borrowings		
Bank borrowings		
Unsecured borrowings	\$ -	\$ 30,000
Interest rate	\$ -	1.65%

Interest expense recognised in profit or loss amounted to \$184 and \$5,409 for the years ended December 31, 2020 and 2019, respectively.

(十三) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 90,155	\$ 135,157
Repairs and maintenance expense payable	66,358	81,867
Business tax payable (Note)	61,287	1,405
Payables for machinery and equipment	53,070	138,167
Utility expenses payable	19,922	21,217
Import/export (customs) expense payable	2,311	10,892
Others	79,321	85,087
	<u>\$ 372,424</u>	<u>\$ 473,792</u>

Note: As of December 31, 2020, the Group has collected proceeds in advance from the disposal of 1F to 3F of the plant in Southern Taiwan Science Park and reported the related business tax. Please refer to Note 6(11) for further information.

(十四) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$ 900,000	\$ 1,500,000
Less: Maturity within one year	-	(600,000)
	<u>\$ 900,000</u>	<u>\$ 900,000</u>

A. In order to fulfill working capital, the Board of Directors resolved to issue the first private unsecured bonds on October 27, 2017, and completed the collection on November 28, 2017. Please refer to Note 7(2)I. The terms and conditions of the private bonds were as follows:

(a) Issuance amount: NT\$1.8 billion

(b) Face value: NT\$10 million

(c) Issuance price: Issued at par value and divided into A, B and C bonds. The amounts were NT\$300 million, NT\$600 million and NT\$900 million, respectively.

(d) Issuance period: the issuance period for A bond is 2 years from November 28, 2017 to November 28, 2019. The issuance period for B bond is 3 years from November 28, 2017 to November 28, 2020. The issuance period for C bond is 5 years from November 28, 2017 to November 28, 2022.

(e) The interest rate of bond and payments of interest: The interest rate of A bond is 2.1%, the

interest rate of B bond is 2.2% and the interest rate of C bond is 2.3%. The simple interest is calculated and paid per half year starting from the issuance date.

- (f) The repayment date and method: bullet repayment.
 - (g) Redemption right of the Group: The Group could exercise the right of redemption on all or part of bond from the redemption date, 14th of each month starting from 5 months before maturity date for bond A, 6 months for bond B and 1 year for bond C. However, the exercise amount shall be NT\$10 million or multiples of NT\$10 million. When exercising the redemption right mentioned above, the Group must send redemption notice to each debtor for redemption amount one month before the redemption date.
 - (h) Put option of bondholder: The bondholders can exercise put options on the 14th of each month (redemption date) starting from 5 months before the maturity date for bond A, starting from 6 months before the maturity date for bond B and starting from 1 year before the maturity date for bond C. However, the exercise amount shall be exactly NT\$10 million or multiples of NT\$10 million. When the bondholder exercises the aforementioned put options, the bondholder shall give the Group the bond sales notice for sell amount within one month before the sell date.
 - (i) Secure method: None.
- B. The Group transferred current bonds payable as long-term liabilities, current portion based on the liquidity. On December 31, 2020 and 2019, the amounts were \$0 and \$600,000, respectively.

(+ 五) Long-term borrowings

<u>Borrowing nature, period and repayment term</u>	<u>Coupon Rate</u>	<u>December 31, 2020</u>
Land and buildings on Yixian Road, Sec. 2 pledged as collateral for borrowings		
NTD borrowings from Land Bank: the borrowing period is 15 years and interest is payable monthly for the first 3 years, principal is payable quarterly starting from the 4th year until May 2033 (Note).	1.20%	\$ 4,160,000
Unsecured borrowings		
Borrowing from Taishin Bank: the borrowing period is 3 years and is payable on the maturity date.	1.57%	300,000
Borrowing from Taipei Fubon Bank: 12 months starting from the first drawdown date is the grace period, and principal is payable every 6 months after the grace period into 5 installments at 20% per installment.	1.56%	300,000
		<u>4,760,000</u>
Less: Current portion (including unamortised long-term borrowing cost)		(<u>233,333</u>)
		<u>\$ 4,526,667</u>

<u>Borrowing nature, period and repayment term</u>	<u>Coupon Rate</u>	<u>December 31, 2019</u>
Land and buildings on Yixian road 2nd sec. pledged as collateral for borrowing		
NTD borrowings from Land Bank: the borrowing period is 15 years and interest is payable monthly for the first 3 years, principal is payable quarterly starting from the 4th year until May 2033 (Note).	1.45%	\$ <u>4,160,000</u>

Note: The Group has pledged certain property, plant and equipment as collateral for the above borrowing.

On May 8, 2018, the Group entered into a syndicated loan for 15 years with Land Bank, for a facility of \$4.16 billion with land and buildings on Yixian Rd., Sec. 2 as collateral.

(+ 六) Pensions

A. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ -	(\$ 716)
Fair value of plan assets	-	62,427
Net defined benefit asset	<u>\$ -</u>	<u>\$ 61,711</u>

(c) Movements in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
2020			
At January 1	(\$ 716)	\$ 62,427	\$ 61,711
Clear the service years of old pension	<u>716</u>	<u>(62,427)</u>	<u>(61,711)</u>
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset
2019			
At January 1	(\$ 621)	\$ 59,716	\$ 59,095
Interest (expense) income	(9)	822	813
	<u>(630)</u>	<u>60,538</u>	<u>59,908</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,889	1,889
Change in demographic assumptions	(8)	-	(8)
Change in financial assumptions	(49)	-	(49)
Experience adjustments	(29)	-	(29)
	<u>(86)</u>	<u>1,889</u>	<u>1,803</u>
At December 31	<u>(\$ 716)</u>	<u>\$ 62,427</u>	<u>\$ 61,711</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2109 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2019
Discount rate	<u>1.000%</u>
Future salary increases	<u>2.00%</u>

Assumptions regarding future mortality rate were estimated to be 10% in accordance with the 5th version of Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	<u>Increase 25%</u>	<u>Decrease 25%</u>	<u>Increase 25%</u>	<u>Decrease 25%</u>
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ <u>34</u>)	<u>\$ 35</u>	<u>\$ 35</u>	(<u>\$ 33</u>)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension assets in the balance sheet are the same.

The methods used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) In April 2020, employees covered under the aforementioned pension plan have reached an agreement with the Company to clear the service years under the old pension, and settled the pension fund with the Bank of Taiwan. The remaining fund balance has been returned to the Company.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2020 and 2019 were \$14,126 and \$13,185, respectively.

(十七) Share-based payment

A. For the year ended December 31, 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2019/8/12	7,000	-	Vested immediately

The abovementioned share-based payment arrangements are equity-settled.

B. Details of the share-based payment arrangements are as follows:

	2019	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	-
Options granted	7,000	13.5
Options exercised	(3,142)	13.5
Options expired	(3,858)	13.5
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2019 was \$14.05.

D. The fair value of stock options granted on the grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Share price	Exercise price	Expected price volatility	Expected option life	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	2019/8/12	\$ 14.05	\$ 13.50	50.49%	9 days	0.49%	\$ 0.77

Note: Expected price volatility was estimated from the standardised average of annualised daily return on stock price on the grant date.

E. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2019
Cash capital increase reserved for employee preemption	\$ <u>5,390</u>

On December 13, 2020, there was no such transaction.

(十八) Share capital

- A. As of December 31, 2020, the Company's authorized capital was \$20,000,000, consisting of 2 billion shares, and the paid-in capital was \$8,069,485 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding (in thousands) are as follows:

	2020	2019
At January 1	806,949	736,949
Cash capital increase	-	70,000
At December 31	<u>806,949</u>	<u>806,949</u>

- B. In order to repay liabilities, fulfill working capital, improve financial structure or strategic alliance to develop related business, the shareholders on May 30, 2014, resolved to increase capital in cash through private placement or public offering and issue common shares up to a maximum of 700 million shares or increase capital through the issuance of global depository receipts (including private placement common shares not to exceed 300 million shares), with a par value of \$10 per share. On July 8, 2014, the Board of Directors of the Company resolved to increase capital in cash through private placement of 281,690 thousand common shares with a discounted price of \$7.10 per share, totaling \$1,999,999. The effective date of private placement was July 22, 2014, and the purpose of capital increase was for additional working capital. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares. On May 8, 2020, the Board of Directors of the Company resolved to apply for additional public offering and listed transaction, and submitted the related data to the authority on July 24, 2020. The effective date of the letter from the authority was August 4, 2020, and the stock has been listed in the security market.
- C. In order to promote the development of strategy alliance, improve financial structure, fulfill

working capital, and repay liabilities, the Company's shareholders, on June 16, 2020, resolved to increase capital in cash and issue common shares up to 70 million shares or increase capital through the issuance of global depository receipts. The Company will choose one or both methods, at a par value of NT\$10 per share.

(十九) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(二十) Retained earnings

- A. Under the Company's Articles of Incorporation, the annual earnings, if any, shall first be used to pay all taxes and offset accumulated deficit and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Except for the distribution of cash dividends and bonus which the Board of Directors are authorised to resolve and then report to shareholders, others will be proposed by the Board of Directors and approved by the shareholders.
- B. According to the Articles of Incorporation, the Company shall consider to appropriate all of current undistributed earnings based on finance, business, operation and other factors. The appropriation of earnings can be in the form of cash dividend or stock dividend separately or both. The ratio of cash dividend shall not be lower than 20% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. On March 19, 2021 and June 16, 2020, the Board of Directors and stockholders during their meeting resolved the following, respectively: besides, no earnings were appropriated in 2018 due to accumulated deficit.

	Year ended December 31			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 35,000		\$ 96,963	
Reversal of special reserve	(7,643)		-	
Cash dividends	314,710	\$ -	282,432	\$ 0.35
	<u>\$ 342,067</u>		<u>\$ 379,395</u>	

(二十一) Operating revenue

	Year ended December 31	
	2020	2019
Revenue from contracts with customers		
Touch sensors and related products	\$ 2,774,175	\$ 4,199,530
Rental revenue from property	69,292	20,138
Others	242,932	184,148
	<u>\$ 3,086,399</u>	<u>\$ 4,403,816</u>

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major geographical regions:

	Year ended December 31	
	2020	2019
<u>Revenue from external customer contracts</u>		
South Korea	\$ 2,096,081	\$ 3,120,698
China	630,552	1,069,182
Taiwan	359,766	213,936
	<u>\$ 3,086,399</u>	<u>\$ 4,403,816</u>

For the year ended December 31, 2020, the Group was affected by COVID-19, thus orders from customers were delayed and the operating revenue and capacity utilization were jointly affected. However, the Group has communicated with customers and continually produced its products for delivery subsequently. There was no significant effect on the range of service contract and price.

(二十二) Interest income

	Year ended December 31	
	2020	2019
Interest income from bank deposits	\$ 2,244	\$ 902
Interest income from financial assets measured at amortised cost	1,125	1,978
Other interest income	94	4
	<u>\$ 3,463</u>	<u>\$ 2,884</u>

(二十三) Other income

	Year ended December 31	
	2020	2019
Revenue from purchasing masks on behalf of others	\$ 9,741	\$ 11,605
Government grant revenues (Note 1)	70,304	14,137
Rent income	23,121	2,227
Income from settlement of old pension fund	2,339	-
Dividend income	-	4,430
Other income (Note 2)	48,240	4,532
	<u>\$ 153,745</u>	<u>\$ 36,931</u>

Note 1: The Company obtained the plan of AOI intelligent detection feedback system to enhance the output value of touch sensor and A+ Industrial innovative R&D program to support big size Micro LED Display technique. The development time of this plan was 17~24 months. For the years ended December 31, 2020 and 2019, the grant revenue recognised based on execution stage were \$16,480 and \$14,137, respectively. Further, as the Group was affected by COVID-19, the Group applied for economic relief package and recognised grant revenue in the amount of \$53,824 for the year ended December 31, 2020.

Note 2: The dispute between the Company and PAI CHUNG ENGINEERING CO., LTD. (PAI CHUNG ENGINEERING) has been concluded by the Taiwan Taipei District Court in September 2020. Accordingly, the Company transferred other payable to PAI CHUNG ENGINEERING amounting to \$39,600 as other income based on the judgement.

(二十四) Other gains and losses

	Year ended December 31	
	2020	2019
Foreign exchange losses	(\$ 33,128)	(\$ 14,592)
Gains on financial instruments at fair value through profit or loss	2,195	38,585
Gains on disposal of subsidiaries	3,741	-
(Losses) gains on disposals of property, plant and equipment	(10,634)	13,362
Reversal of impairment loss on non-financial assets (Note)	28,698	-
Other losses	(7,055)	(12,530)
	<u>(\$ 16,183)</u>	<u>\$ 24,825</u>

Note: Please refer to Note 6(8) for the related information.

(二十五) Employee benefit expense and expenses by nature

	Year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salary expenses	\$ 176,699	\$ 132,309	\$ 309,008
Labour and health insurance fees	17,896	10,277	28,173
Pension costs	8,234	5,892	14,126
Other personnel expenses	21,878	15,274	37,152
Depreciation expense	973,795	11,590	985,385
Amortisation charge	3,575	4,454	8,029

	Year ended December 31, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salary expenses	\$ 194,228	\$ 160,721	\$ 354,949
Labour and health insurance fees	15,441	10,898	26,339
Pension costs	7,297	5,075	12,372
Other personnel expenses	27,566	20,427	47,993
Depreciation expense	988,701	26,359	1,015,060
Amortisation charge	4,301	2,391	6,692

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.001% and 15% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$25,020 and \$59,364, respectively; while directors' remuneration was accrued at \$6,000 and \$17,128, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2020, the employees' compensation and directors' remuneration were estimated and accrued based on profit of current year distributable as of the end of reporting period as prescribed by the Company's Articles of Incorporation. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were the same, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(二十六) Income taxes

A. Income tax expense

- (a) Components of income tax expense:

	Year ended December 31	
	2020	2019
Current tax:		
Current tax on profits for the year	(\$ 4,511)	\$ 1,948
Tax on undistributed earnings	25,895	-
Prior year income tax underestimation	-	809
Total current tax	<u>21,384</u>	<u>2,757</u>
Deferred tax:		
Origination and reversal of temporary differences	81,490	189,769
Total deferred tax	<u>81,490</u>	<u>189,769</u>
Income tax expenses	<u>\$ 102,874</u>	<u>\$ 192,526</u>

- (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2020	2019
Remeasurement of defined benefit obligations	\$ -	\$ 361
Changes in fair value of financial assets at fair value through other comprehensive income	(1,614)	-
	<u>(\$ 1,614)</u>	<u>\$ 361</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2020	2019
Income tax calculated by applying statutory rate to the profit before tax	\$ 81,143	\$ 164,256
Expenses disallowed by tax regulation	3,626	4,254
Tax exempt income by tax regulation	(7,898)	(4,721)
Temporary differences not recognised as deferred tax assets	-	26,692
Tax losses not recognised as deferred tax assets	108	1,236
Tax on undistributed earnings	25,895	-
Prior year income tax under estimation	-	809
Income tax expenses	<u>\$ 102,874</u>	<u>\$ 192,526</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

		2020				
		At January 1	Disposals by the business	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
– Deferred tax assets:						
Temporary differences:						
Provisions	\$	8,072	\$ -	(\$ 3,911)	\$ -	\$ 4,161
Impairment loss		37,763	-	(24,450)	-	13,313
Inventory valuation loss		3,134	-	2,532	-	5,666
Unrealised loss on valuation of financial instruments		-	-	-	1,614	1,614
Unrealised exchange loss		271	-	(271)	-	-
Book-tax difference from lease		1,759	(1,759)	-	-	-
Deferred revenue		4,175	(4,175)	-	-	-
Loss carryforward		381,245	-	(72,519)	-	308,726
		<u>436,419</u>	<u>(5,934)</u>	<u>(98,619)</u>	<u>1,614</u>	<u>333,480</u>
– Deferred tax liabilities:						
Temporary differences:						
Defined benefit plan	(	8,025)	-	8,025	-	-
Unrealised exchange gain		-	-	(6)	-	(6)
Unrealised gain on valuation of financial instruments	(	9,883)	-	9,110	-	(773)
	(	17,908)	-	17,129	-	(779)
Total	\$	<u>418,511</u>	<u>(\$ 5,934)</u>	<u>(\$ 81,490)</u>	<u>\$ 1,614</u>	<u>\$ 332,701</u>
		2019				
		At January 1	Disposals by the business	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
– Deferred tax assets:						
Temporary differences:						
Provisions	\$	3,636	\$ -	\$ 4,436	\$ -	\$ 8,072
Impairment loss		195,213	-	(157,450)	-	37,763
Inventory valuation loss		1,672	-	1,462	-	3,134
Unrealised loss on valuation of financial instruments		12,052	-	(12,052)	-	-
Unrealised exchange loss		416	-	(145)	-	271
Book-tax difference from lease		-	605	1,154	-	1,759
Deferred revenue		-	4,639	(464)	-	4,175
Loss carryforward		397,612	460	(16,827)	-	381,245
		<u>610,601</u>	<u>5,704</u>	<u>(179,886)</u>	<u>-</u>	<u>436,419</u>
– Deferred tax liabilities:						
Temporary differences:						
Defined benefit plan	(	7,664)	-	-	(361)	(8,025)
Unrealised gain on valuation of financial instruments		-	-	(9,883)	-	(9,883)
	(	7,664)	-	(9,883)	(361)	(17,908)
Total	\$	<u>602,937</u>	<u>\$ 5,704</u>	<u>(\$ 189,769)</u>	<u>(\$ 361)</u>	<u>\$ 418,511</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	\$ -	\$ 133,460

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	\$ 2,380,945	\$ 317,047	\$ 91,254	2022
2014	994,010	994,010	-	2024
2016	278,110	278,110	48	2026
2017	36	36	36	2027
2018	10,972	10,972	10,972	2028
2019	67,310	67,310	24,768	2029
2020	3,756	3,756	536	2030

December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	\$ 2,380,945	\$ 682,869	\$ -	2022
2014	994,010	994,010	-	2024
2016	278,110	278,110	48	2026
2017	36	36	36	2027
2018	11,402	11,402	11,402	2028
2019	48,720	48,720	6,178	2029

F. The status of the Company's and its subsidiaries' income tax returns which were assessed by the tax authority are as follows:

	<u>Assessment</u>
The Company	2018
Glory Stone	2019
Golden Apple Investment	2019

(二十七) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 350,004	806,949	\$ 0.43
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 350,004	806,949	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	3,724	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 350,004	810,673	\$ 0.43

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,018,057	753,916	\$ 1.35
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,018,057	753,916	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,259	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,018,057	755,175	\$ 1.35

(二十八) Business combinations

A. On April 30, 2019, the Group acquired a 100% equity interest in Chaiin Hotel for a consideration of \$30,012, and obtained control over Chaiin Hotel which was engaged in hotel business. As a result of the acquisition, the Group is expected to increase its presence in this market.

B. The following table summarises the consideration paid for Chaiin Hotel and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>April 30, 2019</u>
Purchase consideration	
Cash	\$ 30,012
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	48,713
Accounts receivable	2,024
Other current assets	10,973
Property, plant and equipment	116,356
Right-of-use assets	693,046
Deferred income tax assets	5,704
Other non-current assets	19,620
Accounts payable	(6,589)
Other payables	(13,474)
Current tax liabilities	(3,260)
Lease liability - current	(53,230)
Other current liabilities	(1,503)
Long-term borrowings	(199,930)
Lease liability - non-current	(642,841)
Other non-current liabilities	(276)
Total identifiable net assets	<u>(24,667)</u>
Financial assets at fair value through profit or loss - put option	6,560
Goodwill	<u>\$ 48,119</u>

C. From April 2019, the date of acquisition of Chaiin Hotel, the acquisition resulted to an increase in operating income and net loss before tax in the amounts of \$176,313 and \$6,009, respectively. Had Chaiin Hotel been consolidated from January 1, 2019, the consolidated statement of comprehensive income would show operating revenue of \$4,480,947 and profit before income tax of \$1,182,658.

(二十九) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31	
	2020	2019
Purchase of property, plant and equipment	\$ 320,313	\$ 381,609
Reclassifications	(17,225)	152,313
Add: Opening balance of payable on equipment	115,792	96,011
Less: Ending balance of payable on equipment	(53,070)	(115,792)
Cash paid during the year	<u>\$ 365,810</u>	<u>\$ 514,141</u>

	Year ended December 31	
	2020	2019
Purchase of investment property	\$ -	\$ 141,859
Reclassifications	(22,375)	(152,313)
Add: Opening balance of payable on equipment	22,375	32,829
Less: Ending balance of payable on equipment	-	(22,375)
Cash paid during the year	<u>\$ -</u>	<u>\$ -</u>

- B. On May 25, 2020, the Group disposed its 81% equity interest in Chaiin Hotel, and therefore the Group lost control over the subsidiary (please refer to Note 4(3)B). The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	<u>May 25, 2020</u>
Consideration received	
Cash	\$ 100,135
Equity instruments	9,826
Total consideration	<u>109,961</u>
Carrying amount of the assets and liabilities of Chain Hotel	
Cash	13,754
Accounts receivable	2,193
Other receivables	1,158
Other current assets	3,440
Property, plant and equipment	95,294
Right-of-use assets	631,306
Deferred income tax assets	10,446
Other non-current assets	19,605
Notes payable	(527)
Accounts payable	(982)
Other payables	(20,635)
Other payables - related parties	(55,507)
Lease liability - current	(54,355)
Current tax liabilities	(3,528)
Other current liabilities	(1,394)
Lease liability - non-current	(588,486)
Other non-current liabilities	(206)
Total net assets	<u>51,576</u>
Financial assets at fair value through profit or loss - put option	6,560
Goodwill	48,119
	<u>106,255</u>
Gain on disposal of subsidiaries	<u>\$ 3,706</u>

(三十一) Changes in liabilities from financing activities

For the years ended December 31, 2020 and 2019, the Group's liabilities from financing activities included short-term borrowings, short-term notes and bills payable, dividends payable, bonds payable, long-term borrowings and lease liabilities. The changes all pertain to changes in the financing cash flow and other non-cash changes, the aggregate amounts were as follows. Please refer to statements of cash flows for other information.

2020					
	Short-term borrowings	Bonds payable	Long-term borrowings (including current portion)	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 30,000	\$ 1,500,000	\$ 4,160,000	\$ 1,019,156	\$ 6,709,156
Changes in cash flow from financing activities	(30,000)	(600,000)	600,000	(58,671)	(88,671)
Changes from disposal of subsidiaries	-	-	-	(642,841)	(642,841)
Changes in other non-cash items	-	-	-	25,121	25,121
At December 31	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 4,760,000</u>	<u>\$ 342,765</u>	<u>\$ 6,002,765</u>
2019					
	Short-term borrowings	Bonds payable	Long-term borrowings (including current portion)	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 520,000	\$ 1,800,000	\$ 5,948,458	-	\$ 8,268,458
Adjustments under new standards	-	-	-	388,640	388,640
Changes in cash flow from financing activities	(490,000)	(300,000)	(1,988,388)	(81,106)	(2,859,494)
Changes in acquisition of subsidiaries	-	-	199,930	696,071	896,001
Changes in other non-cash items	-	-	-	15,551	15,551
At December 31	<u>\$ 30,000</u>	<u>\$ 1,500,000</u>	<u>\$ 4,160,000</u>	<u>\$ 1,019,156</u>	<u>\$ 6,709,156</u>

7. Related Party Transactions

(一) Names of related parties and relationship with the Company

Names of related parties	Relationship with the Company
Hannstar Display Corp. (Hannstar)	Entities with significant influence to the Group
Hannstar Display (Nanjing) Corp. (Hannstar (Nanjing))	Other related parties

(二) Significant related party transactions

A. Operating revenue:

	Year ended December 31	
	2020	2019
Revenue from sales and rooms Entities with significant influence to the Group	\$ 23,156	\$ 1,115

There were no similar transactions that can be compared with. The transaction conditions were based on the mutual agreement.

B. Purchases

	Year ended December 31	
	2020	2019
Purchases of goods: Entities with significant influence to the Group	\$ 9,335	\$ 5,446
Other related parties	-	643
	\$ 9,335	\$ 6,089

There were no similar transactions that can be compared with. The transaction conditions were based on the mutual agreement.

C. Rent expense

	Year ended December 31	
	2020	2019
Entities with significant influence to the Group	\$ 2,575	\$ 2,548

There were no similar transactions that can be compared with. The transaction conditions were based on the mutual agreement.

D. Interest expenses

	Year ended December 31	
	2020	2019
Hannstar	\$ 29,390	\$ 38,751

E. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Entities with significant influence to the Group	\$ <u>16,894</u>	\$ <u>451</u>

F. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Entities with significant influence to the Group	\$ <u>2,486</u>	\$ <u>18</u>
Other payables:		
Entities with significant influence to the Group	\$ <u>1,964</u>	\$ <u>4,015</u>

G. Receipts in advance (shown as other current liabilities)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Hannstar	\$ <u>1,108,000</u>	\$ <u>-</u>

Advance receipts arose from disposal of 1F to 3F of the plant in Tainan Science Park.

H. Property transactions:

Disposal of property, plant and equipment

	<u>Year ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Disposal proceeds</u>	<u>Gain/(loss)</u>	<u>Disposal proceeds</u>	<u>Gain/(loss)</u>
Entities with significant influence to the Group	\$ <u>14</u>	\$ <u>14</u>	\$ <u>-</u>	\$ <u>-</u>

I. Issuance of bonds payable

On November 28, 2017, the Group issued domestic first private unsecured bonds, the issuance amount was NT\$1.8 billion. As of December 31, 2020, the Company's bonds payable was \$900,000 (including current portion).

(三) Key management compensation

	Year ended December 31	
	2020	2019
Salaries and other short-term employee benefits	\$ 31,202	\$ 38,249
Share-based payment	-	1,176
	<u>\$ 31,202</u>	<u>\$ 39,425</u>

8. Pledged Assets

The Group's assets pledged for the purpose of long-term borrowings, notes, customs duty on raw material imports and performance bond are as follows:

Pledged asset	Book value	
	December 31, 2020	December 31, 2019
Pledged time deposits (shown as other financial assets)	\$ 38,489	\$ 38,741
Demand deposits (shown as other financial assets)	20,901	43,010
Property, plant and equipment and investment property	5,214,919	5,610,105
	<u>\$ 5,274,309</u>	<u>\$ 5,691,856</u>

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

As of December 31, 2020, significant commitments and contingencies are outlined as follows:

(一) Contingencies

In November 2013, the Tainan District Prosecutors Office initiated the prosecution proceedings against the Company and the Company's former Directors and financial managers suspected of false reporting, increasing the contract prices of construction projects, purchasing scrapped equipment, misappropriating deposits, receiving kickbacks, hollowing out the Company's assets and breach of trust under the Securities and Exchange Act, Criminal Code, Business Entity Accounting Act and Tax Collection Act and other crimes. In December 2016, the Criminal court of Tainan District Court has rendered its decision that the Company is innocent. In March 2019, the second instance court has found the other defendants guilty. The above criminal case has been initiated for third instance with the Supreme Court. Further, the Company filed additional civil lawsuits against 14 people suspected of the criminal case. In January 2019, the first instance court has rendered its judgment whereby the Company partly won in some of the cases. Consequently,

the Company filed appeals with the Taiwan High Court Tainan Branch Court which are still pending as of the report date. As the construction and equipment had been derecognised from past financial statements through depreciation, impairment and loss from disposal, the above cases have no significant effect on the Company's financial situation.

(二) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 40,635	\$ 168,452

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(一) Refer to Notes 6(11), 6(20) and 6(25) for details.

(二) On March 19, 2021, the Company's board of directors resolved not to proceed with the capital increase by cash through the issuance of up to 70 million shares of stock either through private placement or public offering, as resolved by the shareholders during their meeting last June 16, 2020 for the purpose of developing strategic alliances, increasing working capital, etc. However, in order for the Company to have the flexibility to respond to changes in the industry and the economy, and in line with the practice of the competent authority to review the plans of companies to raise capital, the Company's board of directors proposed another resolution for the capital increase.

(三) For the purpose of developing strategic alliances and increasing working capital, the Company's board of directors during its meeting on March 19, 2021 resolved to increase capital through the issuance of up to 80 million shares of stock or depository receipts with a proposed denomination of NT\$10 per share through private placement or public offering.

12. Others

(一) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital

structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company adjusted the capital structure through the issuance of new shares to borrow or repay loans.

(二) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 55,505	\$ 54,716
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 193,411	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,789,028	\$ 402,233
Financial assets at amortised cost	664,832	156,063
Accounts receivable (including related parties)	268,962	386,592
Other receivables	32,560	3,051
Other financial assets	59,390	81,751
	<u>\$ 2,814,772</u>	<u>\$ 1,029,690</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 1	\$ -
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 30,000
Notes payable	217	1,903
Accounts payable (including related parties)	139,146	163,292
Other payables (including related parties)	374,388	477,807
Bonds payable (including current portion)	900,000	1,500,000
Long-term borrowings (including current portion)	4,760,000	4,160,000
	<u>\$ 6,173,751</u>	<u>\$ 6,333,002</u>
Lease liability	<u>\$ 342,765</u>	<u>\$ 1,019,156</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group's businesses involve some non-functional currency operations (the Group's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020						
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 9,931	28.100	\$ 279,061	1%	\$ 2,791	\$ -
JPY:NTD	68,713	0.2725	18,724	1%	187	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,639	28.100	46,056	1%	461	-
JPY:NTD	127,884	0.2725	34,848	1%	348	-

December 31, 2019						
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,549	29.980	\$ 406,197	1%	\$ 4,062	\$ -
JPY:NTD	120,067	0.2760	33,139	1%	331	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	2,003	29.980	60,047	1%	600	-
JPY:NTD	101,771	0.2760	28,089	1%	281	-

- iv. Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to (\$33,128) and (\$14,592), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$553 and \$472, respectively.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to maintain at least 1~3% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss.
- ii. The Group adopts the assumption that the default occurs when the contract payments are past due over 120 days.
- iii. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments.
- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Group had no written-off financial assets that are still under recourse procedures.
- vi. The methods used by the Group in assessing the expected credit risk of accounts receivable were as follows:
- (i) Individually estimated expected credit loss according to individual significant accounts receivable which are considered on default;
 - (ii) Other customers' accounts receivable were classified based on the Group's credit rating standards. The Group applies different loss rate methodology and provision matrix to estimate the expected credit loss of different groups.
 - (iii) Loss rates are calculated based on past and current information, taking into account forward-looking information provided by the Basel Committee on Banking Supervision.
 - (iv) On December 31, 2020 and 2019, the provision loss for accounts receivable which were individually estimated by loss rate methodology and provision matrix were as follows:

	<u>Group 1</u>	<u>Group 2</u>	<u>Total</u>
<u>December 31, 2020</u>			
Expected loss rate	0.03%~100%	0.03%	
Total book value	\$ <u> -</u>	\$ <u> 272,960</u>	\$ <u> 272,960</u>
	<u>Group 1</u>	<u>Group 2</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	0.03%~100%	0.03%	
Total book value	\$ <u> -</u>	\$ <u> 426,640</u>	\$ <u> 426,640</u>

Group 1: For customers with impairment indications, individual expected credit

loss is determined through considering the claim order of insurance and debts.

Group 2: Long-term customers with good credit history.

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2020</u>
	<u>Accounts receivable</u>
At January 1	\$ 137
Provision and reversal of impairment loss	(45)
Write-offs	(3)
At December 31	<u>\$ 89</u>
	<u>2019</u>
	<u>Accounts receivable</u>
At January 1	\$ 16,495
Provision for impairment	148
Write-offs	(16,506)
At December 31	<u>\$ 137</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities were as follows:

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 2 and 3 years	Between 3 and 4 years	Over 5 years
Financial liabilities at fair value through profit or loss	\$ 1	\$ -	\$ -	\$ -
Notes payable	217	-	-	-
Accounts payable (including related parties)	139,146	-	-	-
Other payables (including related parties)	374,388	-	-	-
Current tax liabilities	25,895	-	-	-
Lease liability	30,794	63,532	66,401	182,038
Other current liabilities, others	1,128,467	-	-	-
Bonds payable (including put option on corporate bonds matured or exercised within 1 year)	-	900,000	-	-
Long-term borrowings (including current portion)	291,907	1,332,294	764,378	2,718,215

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 2 and 3 years	Between 3 and 4 years	Over 5 years
Short-term borrowings	\$ 30,000	\$ -	\$ -	\$ -
Notes payable	1,903	-	-	-
Accounts payable (including related parties)	163,292	-	-	-
Other payables (including related parties)	477,807	-	-	-
Current tax liabilities	3,528	-	-	-
Lease liability	83,033	170,430	160,050	605,643
Other current liabilities, others	11,926	-	-	-
Bonds payable (including put option on corporate bonds matured or exercised within 1 year)	600,000	900,000	-	-
Long-term borrowings (including current portion)	-	695,603	789,232	3,131,656

iii. In order to repay the borrowings, the Group planned to issue share of stocks through public offering or private placement. Please refer to Note 6(18)C for details.

(三) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in forward foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Group's put option which were generated from investment is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost, accounts receivable (including related parties), other receivables, other financial assets - current, short-term borrowing, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables (including related parties)) and lease liability approximate to their fair values. As of December 31, 2020 and 2019, the fair value of long-term borrowings (including current portion) which were included in Level 3 were \$3,973,461 and \$3,278,828, respectively.

D. Financial and non-financial instruments measured at fair value

- (a) The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 are as follows:

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 200	\$ -	\$ -	\$ 200
Unlisted stocks	-	-	55,071	55,071
Non-hedging derivatives	-	234	-	234
Financial assets at fair value through other comprehensive income				
Listed and emerging stocks	193,411	-	-	193,411
	<u>\$ 193,611</u>	<u>\$ 234</u>	<u>\$ 55,071</u>	<u>\$ 248,916</u>
<u>Non-recurring fair value measurements</u>				
Non-current assets held for sale	\$ -	\$ -	\$ 2,575,574	\$ 2,575,574
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Non-hedging derivatives	\$ 1	\$ -	\$ -	\$ 1

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair				
value through profit or				
loss				
Unlisted stocks	\$ -	\$ -	\$ 47,229	\$ 47,229
Non-hedging derivatives	-	927	6,560	7,487
	<u>\$ -</u>	<u>\$ 927</u>	<u>\$ 53,789</u>	<u>\$ 54,716</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. For the instruments the Group used market quoted prices as their fair values (that is, Level 1), the Group uses the closing price of the listed shares as fair value.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. On December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Finance and accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions,

confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. The Group's finance and accounting department use valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau or through outsourced appraisal performed by the external valuer.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	December 31, 2020 Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 55,071	Market comparable companies	Price book ratio multiplier, discount for lack of marketability	Not applicable	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
	December 31, 2019 Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 47,229	Market comparable companies	Price book ratio multiplier, discount for lack of marketability	Not applicable	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value

13. Supplementary Disclosures

(一) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 3.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: Please refer to Notes 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(二) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(三) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(四) Major shareholders information

Major shareholders information: Please refer to Table 6.

14. Segment Information

(一) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

(二) Measurement of segment information

The Group measures operating segment revenue and net operating profit or loss, and the Company has eliminated the impact of inter-segment transactions.

(三) Measurement of segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2020

	Manufacturing of touch production	Others	Adjustment and write-offs	Total
Revenue from external customers	\$ 2,774,175	\$ 312,224	\$ -	\$ 3,086,399
Inter-segment revenue	-	99,109	(99,109)	-
Total segment revenue	<u>\$ 2,774,175</u>	<u>\$ 411,333</u>	<u>(\$ 99,109)</u>	<u>\$ 3,086,399</u>
Segment operating income (loss)	<u>\$ 347,684</u>	<u>\$ 67,310</u>	<u>\$ 3,848</u>	<u>\$ 418,842</u>
Segment operating income (loss), including: Depreciation and amortisation	<u>\$ 898,775</u>	<u>\$ 168,274</u>	<u>(\$ 73,635)</u>	<u>\$ 993,414</u>

	Year ended December 31, 2019			
	Manufacturing of touch production	Others	Adjustment and write-offs	Total
Revenue from external customers	\$ 4,199,530	\$ 204,286	\$ -	\$ 4,403,816
Inter-segment revenue	-	29,701	(29,701)	-
Total segment revenue	<u>\$ 4,199,530</u>	<u>\$ 233,987</u>	<u>(\$ 29,701)</u>	<u>\$ 4,403,816</u>
Segment operating income (loss)	<u>\$ 1,314,664</u>	<u>(\$ 51,530)</u>	<u>(\$ 2,194)</u>	<u>\$ 1,260,940</u>
Segment operating income (loss), including: Depreciation and amortisation	<u>\$ 939,037</u>	<u>\$ 108,654</u>	<u>(\$ 25,939)</u>	<u>\$ 1,021,752</u>

(四) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2020 and 2019 is provided as follows:

	Year ended December 31	
	2020	2019
Reportable segments income/(loss)	\$ 347,684	\$ 1,314,664
Other segments income/(loss)	71,158	(53,724)
Total segments	418,842	1,260,940
Non-operating income and expenses	43,778	(83,896)
Income/(loss) before tax from continuing operations	<u>\$ 462,620</u>	<u>\$ 1,177,044</u>

(五) Geographical information

	Year ended December 31			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
South Korea	\$ 2,096,081	\$ -	\$ 3,120,698	\$ -
China	630,552	-	1,069,182	-
Taiwan	359,766	11,218,652	213,936	15,230,825
	<u>\$ 3,086,399</u>	<u>\$ 11,218,652</u>	<u>\$ 4,403,816</u>	<u>\$ 15,230,825</u>

(六) Major customer information

	Year ended December 31			
	2020		2019	
	Revenue	Location	Revenue	Location
A	\$ 2,096,050	South Korea	\$ 3,120,698	South Korea
B	411,899	China	548,141	China

HannsTouch Solution Incorporated and subsidiaries

Loans to others

Year ended December 31, 2020

Table 1

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31,	Balance at December 31, 2020 (Note 3)	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
													Item	Value			
0	HannsTouch Solution Incorporated	Glory Stone Co., Ltd.	Other receivables due from related parties	Yes	\$ 130,000	\$ 130,000	\$ -	Undetermined	Necessary for short- term financing	\$ -	Operating	\$ -	None	\$ -	\$ 186,926	\$ 1,888,219	Note 4, 5, 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: The upper limit of capital loan and balance of capital loans in the end of the year are the amount approved by the Board of Directors, not actual drawn amount.

Note 4: The limit of HannsTouch Solution Incorporated loans to individual who has the needs of short-term financing shall not exceed 20% of the net asset value of latest financial statements.

Note 5: The total loans amount of HannsTouch Solution Incorporated shall not exceed 30% of net asset value.

Note 6: The limits of the company loan to Glory Stone Co. Ltd. with amount of \$1.3 million and to individual were resolved by the Board of Directors on March 20, 2020.

HannsTouch Solution Incorporated and subsidiaries
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
December 31, 2020

Table 2

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Ending Balance			Note
					Book value	Ownership (%)	Fair value (Note)	
HannsTouch Solution Incorporated	Stock							
	KHAM INC.	None	Financial assets at fair value through profit or loss	4	\$ 200	0.01%	\$ 200	
	YH Bio Co., Ltd.	None	"	6,973	44,229	3.40%	44,229	
	VITA GENOMICS, INC.	None	"	156	1,432	0.26%	1,432	
	Touch Cloud Inc.	None	"	250	386	3.42%	386	
	Hannstar Display Corp.	Other related parties	Financial assets at fair value through other comprehensive income	15,744	<u>193,411</u>	0.57%	193,411	
					<u>\$ 239,658</u>			
Golden Apple Investment Corporation	Stock							
	Chaiin Hotel Co., Ltd.	None	Financial assets at fair value through profit or loss	2,100	<u>\$ 9,024</u>	19.00%	\$ 9,024	

Note: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value;
Fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

HannsTouch Solution Incorporated and subsidiaries
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 3

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Real estate disposed by	Real estate	Transaction date or date of the event (Note 3)	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gains (losses) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
The Company	1F to 3F of the plant in Tainan Science Park	November 2020	May 1, 2012~October 31, 2018	\$ 2,575,574	\$ 2,770,000	Perform the agreement by both parties	Note 4	Hannstar Display Corp.	Relationship with the counterparty	Considering the efficiency of assets usage and activating assets	Negotiated based on appraisal report and approved by the Board of Directors	

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4: The amount of expected income from disposal is about \$194,426. Actual income from disposal will be net of related expenses and will not be recorded until the transaction is completed.

HannsTouch Solution Incorporated and subsidiaries
Information on investees
Year ended December 31, 2020

Table 4

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net income of investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020		Note
				Balance as at December 31, 2020	Balance as at December 31, 2019	No. of shares (in thousands)	Ownership (%)	Book value				
HannsTouch Solution Incorporated	Richest Investment Ltd.	Cayman Islands	Investment	\$ 148,434	\$ 148,434	4,500	100.00	\$ -	\$ -	\$ -	Note 1	
	Golden Apple Investment Corporation	Taiwan	Investment	150,000	150,000	15,000	100.00	134,684	(15,679)	(15,679)	"	
	Glory Stone Co., Ltd.	Taiwan	Hotel business	220,000	220,000	22,000	42.31	214,450	16,888	20,885	"	

Note 1: The Company's subsidiary.

HannsTouch Solution Incorporated and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2020

Table 5

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 3)	Book value of investments in Mainland China as of December 31, 2020 (Note 3)	Accumulated amount of investment income	Note
					Remitted to Mainland China	Remitted back to Taiwan						remitted back to Taiwan as of December 31, 2020	
NanJin GuanXin Co. Ltd.	Development and production of PMMA, light guide plate and related components	\$ 469,950	Note 2	\$ 148,434	\$ -	\$ -	\$ 148,434	\$ -	31.12	\$ -	\$ -	\$ -	
<u>Company name</u>			<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 4)</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>							
HannsTouch Solution Incorporated		\$	1,789,949	\$	1,721,665	\$	5,826,413						

Note 1: Translated from historical exchange rate.

Note 2: Reinvested through Richest Investment Ltd.

Note 3: In 2013, the Company's investment in NanJin GuanXin Co. Ltd. has been reduced to \$0.

Note 4: NTD amount was translated from historical exchange rate of actual remittance.

HannsTouch Solution Incorporated and subsidiaries

Major shareholders information

December 31, 2020

Table 6

Name of major shareholders	Shares	
	Name of shares held (in thousands)	Ownership (%)
Hannstar Display Corp.	214,639	26.60%
Huali Investment Corp.	59,440	7.36%

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of HannsTouch Solution Incorporated

Opinion

We have audited the accompanying parent company only balance sheets of HannsTouch Solution Incorporated as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 financial position of HannsTouch Solution Incorporated as at December 31, 2020 and 2019, and its financial performance and its 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 generally accepted auditing standards 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 HannsTouch Solution Incorporated's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for HannsTouch Solution Incorporated's 2020 parent company only financial statements are stated as follows:

Key Audit Matter – Recognition of overseas warehouse operating revenue

Description

Refer to Note 4(33) for a description of accounting policy on revenue recognition in the financial statements.

The Company stores inventories in the warehouses under the custody of foreign third parties. Such inventories are checked and accepted by the custodians in order to meet the requirements of overseas sales customers. The custodians regularly send inventory reports to the Company to verify the quantity, and the Company recognizes operating revenue based on actual used inventories at the customer side which are shown in the inventory report provided by the custodians.

As the process of revenue recognition of the Company's foreign warehouse involves numerous manual procedures, we identified the recognition of overseas warehouse operating revenue as a key audit matter.

How our audit addressed the matter:

We performed the following audit procedures on the above key audit matter:

4. Obtained an understanding and evaluated the Company's procedures on overseas warehouse operating revenue, and selected samples to check the accuracy of operating revenue recognition.
5. Performed cutoff procedures on sales revenue from distribution warehouse recognised during a specific period before and after the period-end, including verifying delivery schedule of distribution warehouse and ensuring the movements of inventories contained in the statements and cost of goods sold had been recognised in the appropriate period; and
6. Performed confirmation for significant warehouses.

Key audit matter- Impairment assessment on investment property

Description

Refer to Notes 4(20), 5(2) and 6(11) for accounting policy applied on impairment of property, plant and equipment, accounting estimates and assumptions applied on the impairment assessment of tangible assets and details of impairment.

The Company has appointed appraisers to appraise the investment property in Taipei and to value the recoverable amount as the basis for assessing the impairment of investment property.

The recoverable amount is calculated through income approach and comparison method. The determination of the recoverable amount is subject to management judgement and uncertainty, which

could have a significant impact in assessing whether there is any impairment loss on property, plant and equipment. Thus, we considered the impairment assessment of property, plant and equipment as a key audit matter.

How our audit addressed the matter:

We understood the basis and process of management's assessment and performed the following audit procedures in respect of the above key audit matter:

1. Assessed the expected future income used in the experts' appraisal report and compared with local market price and forecast documents for the industry.
2. Assessed the discount rate used in the experts' appraisal report and inspected the assumptions of cost of capital with return on similar assets in the market.
3. Examined the parameters of valuation model in the experts' appraisal report and setting of formulas.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing HannsTouch Solution Incorporated'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 HannsTouch Solution Incorporated or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing HannsTouch Solution Incorporated'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 generally accepted auditing standards 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 generally accepted auditing standards 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 HannsTouch Solution Incorporated'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 HannsTouch Solution Incorporated's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within HannsTouch Solution Incorporated to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 of the current period 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.

[Signature]

Chen, Ching Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

[Signature]

Lin, Chun-Yao

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HANNSTOUCH SOLUTION INCORPORATED
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020	December 31, 2019
Current assets			
1100	Cash and cash equivalents	\$ 1,618,587	\$ 320,390
1110	Financial assets at fair value through profit or loss - current	46,481	48,156
1136	Current financial assets at amortised cost	600,000	789
1170	Accounts receivable, net	245,518	381,677
1180	Accounts receivable due from related parties, net	73,620	29,697
1200	Other receivables	21,652	1,628
1210	Other receivables - related parties	485	100
130X	Inventory	198,100	176,155
1460	Non-current assets or disposal groups classified as held for sale, net	2,575,574	-
1476	Other current financial assets	59,390	81,751
1479	Other current assets	38,557	35,452
11XX	Total current assets	<u>5,477,964</u>	<u>1,075,795</u>
Non-current assets			
1517	Non-current financial assets at fair value through other comprehensive income	193,411	-
1550	Investments accounted for under equity method	349,134	347,193
1600	Property, plant and equipment	4,615,811	7,986,314
1755	Right-of-use assets	335,723	354,506
1760	Investment property - net	5,810,132	5,729,096
1780	Intangible assets	17,128	22,985
1840	Deferred income tax assets	324,327	421,977
1900	Other non-current assets	598	62,327
15XX	Total non-current assets	<u>11,646,264</u>	<u>14,924,398</u>
1XXX	Total assets	<u>\$ 17,124,228</u>	<u>\$ 16,000,193</u>

(Continued)

HANNSTOUCH SOLUTION INCORPORATED
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020	December 31, 2019
Current liabilities			
2120	Financial liabilities at fair value through profit or loss - current	\$ 1	\$ -
2150	Notes payable	217	1,341
2170	Accounts payable	134,500	161,727
2180	Accounts payable - related parties	2,486	18
2200	Other payables	342,864	389,981
2220	Other payables - related parties	2,615	3,700
2230	Current income tax liabilities	25,895	-
2280	Current lease liabilities	30,794	29,028
2320	Long-term liabilities, current portion	233,333	600,000
2399	Other current liabilities	1,123,886	10,939
21XX	Total current liabilities	<u>1,896,591</u>	<u>1,196,734</u>
Non-current liabilities			
2530	Corporate bonds payable	900,000	900,000
2540	Long-term borrowings	4,526,667	4,160,000
2570	Deferred income tax liabilities	779	17,908
2580	Non-current lease liabilities	311,971	329,244
2670	Other non-current liabilities	47,126	16,328
25XX	Total non-current liabilities	<u>5,786,543</u>	<u>5,423,480</u>
2XXX	Total liabilities	<u>7,683,134</u>	<u>6,620,214</u>
Equity			
	Share capital		
3110	Common stock	8,069,485	8,069,485
	Capital surplus		
3200	Capital surplus	312,925	312,925
	Retained earnings		
3310	Legal reserve	109,361	12,398
3320	Special reserve	14,100	14,100
3350	Unappropriated retained earnings	941,680	971,071
3400	Other equity interest	(6,457)	-
3XXX	Total equity	<u>9,441,094</u>	<u>9,379,979</u>
	Significant contingent liabilities and unrecognised contract commitments		
	Significant events after the balance sheet date		
3X2X	Total liabilities and equity	<u>\$ 17,124,228</u>	<u>\$ 16,000,193</u>

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

HANNSTOUCH SOLUTION INCORPORATED
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31	
			2020	2019
4000	Sales revenue	6(21) and 7	\$ 2,929,250	\$ 4,248,959
5000	Operating costs	6(6)(25) and 7	(2,294,305)	(2,681,508)
5950	Net operating margin		634,945	1,567,451
	Operating expenses	6(25) and 7		
6100	Selling expenses		(27,264)	(52,691)
6200	General and administrative expenses		(144,547)	(160,164)
6300	Research and development expenses		(40,678)	(43,498)
6450	Reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	12(2)	48	(136)
6000	Total operating expenses		(212,441)	(256,489)
6900	Operating profit		422,504	1,310,962
	Non-operating income and expenses			
7100	Interest income	6(22)	2,630	492
7010	Other income	6(23)	139,272	37,795
7020	Other gains and losses	6(24) and 7	(18,002)	25,121
7050	Finance costs	7	(93,575)	(139,071)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	6(8)	5,205	(17,926)
7000	Total non-operating income and expenses		35,530	(93,589)
7900	Profit before income tax		458,034	1,217,373
7950	Income tax expense	6(26)	(108,030)	(199,316)
8200	Profit for the year		\$ 350,004	\$ 1,018,057
	Other comprehensive income			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Actuarial gains on defined benefit plans	6(16)	\$ -	\$ 1,803
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(8,071)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	1,614	(361)
8300	Other comprehensive (loss) income for the year		(\$ 6,457)	\$ 1,442
8500	Total comprehensive income for the year		\$ 343,547	\$ 1,019,499
	Earnings per share (in dollars)	6(27)		
9750	Basic earnings per share		\$ 0.43	\$ 1.35
9850	Diluted earnings per share		\$ 0.43	\$ 1.35

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

HANNSTOUCH SOLUTION INCORPORATED
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves			Retained Earnings			Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity	
		Share capital - common stock	Total capital surplus, additional paid-in capital	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Capital surplus, others	Legal reserve	Special reserve			Unappropriated retained earnings
<u>Year ended December 31, 2019</u>										
Balance at January 1, 2019		\$ 7,369,485	\$ 61,616	\$ 919	\$ -	\$ 12,398	\$ 14,100	(\$ 48,428)	\$ -	\$ 7,410,090
Profit for the year		-	-	-	-	-	-	1,018,057	-	1,018,057
Other comprehensive income		-	-	-	-	-	-	1,442	-	1,442
Total comprehensive income		-	-	-	-	-	-	1,019,499	-	1,019,499
Proceeds from issuance of shares	6(18)	700,000	247,419	-	2,971	-	-	-	-	950,390
Balance at December 31, 2019		\$ 8,069,485	\$ 309,035	\$ 919	\$ 2,971	\$ 12,398	\$ 14,100	\$ 971,071	\$ -	\$ 9,379,979
<u>Year ended December 31, 2020</u>										
Balance at January 1, 2020		\$ 8,069,485	\$ 309,035	\$ 919	\$ 2,971	\$ 12,398	\$ 14,100	\$ 971,071	\$ -	\$ 9,379,979
Profit for the year		-	-	-	-	-	-	350,004	-	350,004
Other comprehensive loss		-	-	-	-	-	-	-	(6,457)	(6,457)
Total comprehensive income		-	-	-	-	-	-	350,004	(6,457)	343,547
Appropriations of 2019 earnings:	6(20)									
Legal reserve		-	-	-	-	96,963	-	(96,963)	-	-
Cash dividends		-	-	-	-	-	-	(282,432)	-	(282,432)
Balance at December 31, 2020		\$ 8,069,485	\$ 309,035	\$ 919	\$ 2,971	\$ 109,361	\$ 14,100	\$ 941,680	(\$ 6,457)	\$ 9,441,094

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

HANNSTOUCH SOLUTION INCORPORATED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 458,034	\$ 1,217,373
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(25)	931,517	957,066
Expected credit (gain) loss on doubtful accounts	12(2)	(48)	136
Amortisation	6(25)	6,735	6,692
Interest expense		93,575	139,072
Interest income	6(22)	(2,630)	(492)
Dividend income	6(23)	-	(4,430)
Share-based payment	6(17)	-	5,390
Gain on financial assets at fair value through profit or loss	6(2)(24)	(2,996)	(38,585)
Share of profit or loss of associates and joint ventures accounted for under equity method	6(8)	(5,205)	17,926
Loss (gain) on disposals of property, plant and equipment	6(24)	10,614	(13,362)
Reversal of impairment loss recognised in profit or loss, non-financial assets	6(24)	(28,698)	-
Other income-gain on pension settlement	6(23)	(2,339)	-
Other income-gain on litigation settlement	6(23)	(39,600)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		4,672	86,627
Accounts receivable		136,207	(149,525)
Accounts receivable - related parties		(43,923)	(29,697)
Other receivables		(19,756)	37,996
Other receivables - related parties		(385)	-
Inventory		(21,945)	(53,478)
Prepaid pension		-	(813)
Other current assets		(3,105)	3,737
Changes in operating liabilities			
Notes payable		(1,124)	279
Accounts payable		(27,227)	78,671
Accounts payable - related parties		2,468	(55)
Other payables		8,606	56,561
Other payables - related parties		125	(1,984)
Other current liabilities		4,944	4,529
Other non-current liabilities		30,798	16,328
Cash inflow generated from operations		1,489,314	2,335,962
Interest received		2,362	496
Cash dividends received		-	4,430
Interest paid		(87,025)	(132,352)
Income taxes paid		-	(809)
Net cash flows from operating activities		1,404,651	2,207,727

(Continued)

HANNSTOUCH SOLUTION INCORPORATED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in current financial assets at amortised cost		(\$ 599,211)	(\$ 789)
Acquisition of investments accounted for under equity method	6(8)	-	(149,900)
Acquisition of property, plant and equipment	6(28)	(73,470)	(124,216)
Proceeds from disposal of property, plant and equipment		524	13,362
Acquisition of investment property	6(28)	(110,107)	(152,313)
Decrease (increase) in other non-current assets		64,067	(41)
Decrease (increase) in other current financial assets		22,361	(30,927)
Financial assets at fair value through other comprehensive income		(201,482)	-
Dividends received	6(8)	3,264	-
Advance receipts for the sale of property, plant and equipment	7		
		1,108,000	-
Net cash flows from (used in) investing activities		213,946	(444,824)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of short-term debt		-	(520,000)
Repayment of corporate bonds payable		(600,000)	(300,000)
Proceeds from long-term debt		600,000	-
Repayment of long-term debt		-	(1,788,458)
Repayment of lease liabilities		(37,968)	(36,319)
Seasoned equity offering		-	902,583
Exercise of employee stock options		-	42,417
Cash dividends paid	6(20)	(282,432)	-
Net cash flows used in financing activities		(320,400)	(1,699,777)
Net increase in cash and cash equivalents		1,298,197	63,126
Cash and cash equivalents at beginning of year	6(1)	320,390	257,264
Cash and cash equivalents at end of year	6(1)	\$ 1,618,587	\$ 320,390

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

HANNSTOUCH SOLUTION INCORPORATED
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

15. History and Organisation

HannsTouch Solution Incorporated (the “Company”) was incorporated in September 1999 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in the manufacture and sale of touch products and lease of property. The common shares of the Company have been listed on the Taiwan Stock Exchange since September 27, 2002.

16. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on March 19, 2021.

17. Application of New Standards, Amendments and Interpretations

(三) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(五) IFRSs issued by IASB but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRSs 2018-2020 cycle	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

18. Summary of Significant Accounting Policies

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

(六) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance

with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(七) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group classified’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial parent company only statements are disclosed in Note 5.

(八) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in NTD, which is the Company’s functional and presentation currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

(九) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be

sold or consumed within the normal operating cycle;

- (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(+) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(+ -) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(十 二) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income:
- (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(十 三) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(十 四) Accounts receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(+ 五) Impairment of financial assets

For financial assets at amortised cost including accounts receivable, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(+ 六) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(+ 七) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(+ 八) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(+ 九) Non-current assets held for sale (or disposal groups)

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(二十) Investments accounted for using equity method

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognise loss continuously in proportion to its ownership.
- D. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(二十一) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and

Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~35 years
Machinery equipments	3~10 years
Furniture and fixtures	2~5 years
Other equipments	2~10 years

(二十一) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
 - (b) Variable lease payments that depend on an index or a rate; and
 - (c) Amounts expected to be payable by the lessee under residual value guarantees.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(二十三) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 years.

(二十四) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 6 years.

(二十五) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(二十六) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(二十七) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(二十八) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(二十九) Bonds payable

Ordinary corporate bonds issued by the Company are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(三十) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(三十一) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(三十二) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, as a deduction of sales revenue in the period when related products are sold.

(三十三) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plan is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(三十四) Employee share-based payment

For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at fair value, and recognised as compensation cost and liability over the vesting period. The fair value of the liability is remeasured at each balance sheet date and settlement date, with any change in fair value recognised in profit or loss.

(三十五) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(三十六) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(三十七) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Group's shareholders. Cash dividends are recorded as liabilities.

(三十八) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells touch panel and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

- (b) Sales revenue of products was recognised based on the contract price net of sales returns and discount. The sales returns and discounts are estimated based on the anticipated annual sales quantities. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the anticipated annual sales quantities, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales returns and discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the control was transferred with a credit term of 60 days, which is consistent with market practice.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Leases

The Company is engaged in the leasing of certain property classified as operating leases based on the lease condition. The lease payments received during the leasing period on a straight line basis are recognised as property lease income.

(三十九) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

19. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(四十) Critical judgements in applying the Company's accounting policies

Investment property

The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately and cannot be leased out separately under a finance lease, the property is classified as investment property only if the own-use portion accounts for the immaterial property.

(四十一) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

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

B. Realisability of deferred tax assets

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

As of December 31, 2020, the Company recognised deferred tax assets amounting to \$324,327.

20. Details of Significant Accounts

(四十二) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Checking accounts and demand deposits	\$ 218,587	\$ 200,390
Time deposits	1,400,000	120,000
	<u>\$ 1,618,587</u>	<u>\$ 320,390</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Certain cash and cash equivalents which were pledged as collaterals and restricted have been transferred to other financial assets. Please refer to Notes 6(7) and 8 for details.

(四十三) Financial assets/liabilities at fair value through profit or loss

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 216	\$ -
Unlisted stocks	40,332	40,332
Non-hedging derivatives	234	927
	\$ 40,782	\$ 41,259
Revaluation – gross	5,699	6,897
Total	\$ 46,481	\$ 48,156
Financial liabilities mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	\$ 1	\$ -

A. The nature of financial assets and liabilities at fair value through profit or loss are as follows:

(a) Equity instruments: including listed, unlisted and emerging stocks.

(b) Derivative instruments: including forward foreign exchange contracts and foreign exchange options.

B. Amounts recognised in profit or loss in relation to financial assets/liabilities at fair value through profit or loss are listed below:

	Year ended December 31	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 1,198)	\$ 36,911
Derivative instruments	4,194	1,674
	\$ 2,996	\$ 38,585

C. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative financial instruments</u>	December 31, 2020		
	Contract amount		Contract period
	<u>(Notional principal)</u>	<u>(In thousands)</u>	
Presale forward exchange contracts			
-Sell USD and buy NTD	USD	\$ 4,000	2020/12/8-2021/2/5
-Sell USD and buy JPY	USD	200	2020/12/25-2021/1/28

<u>Derivative financial instruments</u>	December 31, 2019		
	Contract amount		Contract period
	<u>(Notional principal)</u>	<u>(In thousands)</u>	
Presale forward exchange contracts			
-Sell USD and buy NTD	USD	\$ 5,000	2019/12/13-2020/2/3
Option contract			
-Put options	USD	\$ 2,000	2019/12/9-2020/1/9

The Company entered into forward foreign exchange contracts to sell to hedge exchange rate risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

- D. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(四十四) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 201,482	\$ -
Revaluation – gross	(8,071)	-
	<u>\$ 193,411</u>	<u>\$ -</u>

- A. The Company has selected to classify the stock investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$193,411 as of December 31, 2020.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2020	2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 8,071)	\$ -

C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(四十五) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with maturity over three months	\$ 430,000	\$ 789
Bills with repurchase agreement	170,000	-
	<u>\$ 600,000</u>	<u>\$ 789</u>

A. For the years ended December 31, 2020 and 2019, interest income arising from time deposits with maturity over three months held by the Company amounted to \$424 and \$1, respectively.

B. The Company has no financial assets at amortised cost pledged to others as collateral.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(四十六) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 266,410	\$ 422,176
Less: Allowance for sales returns and discounts	(20,803)	(40,362)
Loss allowance	(89)	(137)
	<u>\$ 245,518</u>	<u>\$ 381,677</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2020	December 31, 2019
Not past due	\$ 266,410	\$ 420,813
Up to 30 days	-	1,363
	<u>\$ 266,410</u>	<u>\$ 422,176</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable was all from contracts with customers.

C. The Company has no accounts receivable pledged as collaterals.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(四十七) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 62,886	(\$ 12,264)	\$ 50,622
Work in progress	30,204		30,204
Finished goods	133,337	(16,063)	117,274
	<u>\$ 226,427</u>	<u>(\$ 28,327)</u>	<u>\$ 198,100</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 56,370	(\$ 8,948)	\$ 47,422
Work in progress	31,136	-	31,136
Finished goods	104,319	(6,722)	97,597
	<u>\$ 191,825</u>	<u>(\$ 15,670)</u>	<u>\$ 176,155</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2020	2019
Cost of goods sold	\$ 1,977,867	\$ 2,636,163
Unallocated overhead expense	299,522	30,471
Loss on decline in market value	12,657	7,308
Scrapped inventory	4,259	7,566
	<u>\$ 2,294,305</u>	<u>\$ 2,681,508</u>

(四十八) Other current financial assets

	December 31, 2020	December 31, 2019
Time deposits pledged	\$ 38,489	\$ 38,741
Restricted bank deposits	20,901	43,010
	<u>\$ 59,390</u>	<u>\$ 81,751</u>

Refer to Note 8 for further information on other current financial assets pledged to others as collateral.

(四十九) Investments accounted for using equity method

	<u>2020</u>	<u>2019</u>
At January 1	\$ 347,193	\$ 215,219
Addition of investments accounted for using equity method	-	149,900
Share of profit or loss of investments accounted for using equity method	5,205 (	17,926)
Earnings distribution of investments accounted for using equity method	(3,264)	-
At December 31	<u>\$ 349,134</u>	<u>\$ 347,193</u>

<u>Subsidiaries</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Glory Stone Co., Ltd.	\$ 214,450	\$ 193,566
Golden Apple Investment Corporation	134,684	153,627
	<u>\$ 349,134</u>	<u>\$ 347,193</u>

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for the information regarding the Company's subsidiaries.

(五 +) Property, plant and equipment

	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Furniture and fixtures</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<u>January 1, 2020</u>						
Cost	\$ 9,102,693	\$ 8,057,766	\$ 10,247	\$ 63,169	\$ 148,433	\$ 17,382,308
Accumulated depreciation and impairment	(3,110,519)	(6,224,940)	(3,142)	(57,393)	-	(9,395,994)
	<u>\$ 5,992,174</u>	<u>\$ 1,832,826</u>	<u>\$ 7,105</u>	<u>\$ 5,776</u>	<u>\$ 148,433</u>	<u>\$ 7,986,314</u>
<u>2020</u>						
At January 1	\$ 5,992,174	\$ 1,832,826	\$ 7,105	\$ 5,776	\$ 148,433	\$ 7,986,314
Additions	-	-	-	-	47,001	47,001
Disposals	(10,454)	(684)	-	-	-	(11,138)
Reclassifications (Note 2)	(2,412,551)	19,437	1,316	2,126	(186,778)	(2,576,450)
Depreciation	(413,398)	(441,941)	(1,626)	(1,649)	-	(858,614)
Reversal of impairment loss (Note 3)	28,698	-	-	-	-	28,698
At December 31	<u>\$ 3,184,469</u>	<u>\$ 1,409,638</u>	<u>\$ 6,795</u>	<u>\$ 6,253</u>	<u>\$ 8,656</u>	<u>\$ 4,615,811</u>
<u>December 31, 2020</u>						
Cost	\$ 5,364,819	\$ 8,075,148	\$ 11,563	\$ 65,123	\$ 8,656	\$ 13,525,309
Accumulated depreciation and impairment	(2,180,350)	(6,665,510)	(4,768)	(58,870)	-	(8,909,498)
	<u>\$ 3,184,469</u>	<u>\$ 1,409,638</u>	<u>\$ 6,795</u>	<u>\$ 6,253</u>	<u>\$ 8,656</u>	<u>\$ 4,615,811</u>

	Buildings and structures	Machinery and equipment	Furniture and fixtures	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>January 1, 2019</u>						
Cost	\$ 9,090,287	\$ 9,071,853	\$ 7,584	\$ 83,252	\$ 101,003	\$ 18,353,979
Accumulated depreciation and impairment	(2,680,673)	(6,797,636)	(1,865)	(75,855)	-	(9,556,029)
	<u>\$ 6,409,614</u>	<u>\$ 2,274,217</u>	<u>\$ 5,719</u>	<u>\$ 7,397</u>	<u>\$ 101,003</u>	<u>\$ 8,797,950</u>
<u>2019</u>						
At January 1	\$ 6,409,614	\$ 2,274,217	\$ 5,719	\$ 7,397	\$ 101,003	\$ 8,797,950
Additions	-	-	857	-	98,012	98,869
Reclassifications	12,406	25,957	1,806	92	(50,582)	(10,321)
Depreciation	(429,846)	(467,348)	(1,277)	(1,713)		(900,184)
At December 31	<u>\$ 5,992,174</u>	<u>\$ 1,832,826</u>	<u>\$ 7,105</u>	<u>\$ 5,776</u>	<u>\$ 148,433</u>	<u>\$ 7,986,314</u>
<u>December 31, 2019</u>						
Cost	\$ 9,102,693	\$ 8,057,766	\$ 10,247	\$ 63,169	\$ 148,433	\$ 17,382,308
Accumulated depreciation and impairment	(3,110,519)	(6,224,940)	(3,142)	(57,393)	-	(9,395,994)
	<u>\$ 5,992,174</u>	<u>\$ 1,832,826</u>	<u>\$ 7,105</u>	<u>\$ 5,776</u>	<u>\$ 148,433</u>	<u>\$ 7,986,314</u>

Note 1: Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

Note 2: On November 5, 2020, the Company considered the efficiency of assets and the utilization of assets, and decided to dispose 1F to 3F of the plant located in Southern Taiwan Science Park after the resolution of the Board of Directors. Accordingly, the related assets were transferred into ‘disposal group held for sale’ in the amount of \$2,575,574. Please refer to Note 6(12) for details.

Note 3: A gain on reversal of impairment loss on certain properties amounting to \$28,698 was recognised from the difference between the carrying amount and recoverable amount which was shown as other gains and losses. Please refer to Note 12(3) for related fair value information.

(五十一) Lease transactions – lessee

- A. The Company leases various assets including land, machinery and business vehicles. Rental contracts are typically made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise office and parking lot. Low-value assets comprise foreign warehouse and dormitory.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	Book value	Book value
Land	\$ 325,143	\$ 342,069
Transportation equipment (Business vehicles)	64	192
Other equipment	10,516	12,245
	<u>\$ 335,723</u>	<u>\$ 354,506</u>
	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 31,605	\$ 30,304
Transportation equipment (Business vehicles)	128	128
Other equipment	1,729	1,729
	<u>\$ 33,462</u>	<u>\$ 32,161</u>

- D. The movements of right-of-use assets of the Company during the 2020 and 2019 are as follows:

	<u>2020</u>			
	<u>Land</u>	<u>Transportation equipment (Business vehicles)</u>	<u>Other equipment (Tank)</u>	<u>Total</u>
At January 1	\$ 342,069	\$ 192	\$ 12,245	\$ 354,506
Depreciation	(31,605)	(128)	(1,729)	(33,462)
Contracts changed	14,679	-	-	14,679
At December 31	<u>\$ 325,143</u>	<u>\$ 64</u>	<u>\$ 10,516</u>	<u>\$ 335,723</u>

	2019			
	Land	Transportation equipment (Business vehicles)	Other equipment (Tank)	Total
At January 1	\$ -	\$ -	\$ -	\$ -
Additions	372,373	320	13,974	386,667
Depreciation	(30,304)	(128)	(1,729)	(32,161)
At December 31	<u>\$ 342,069</u>	<u>\$ 192</u>	<u>\$ 12,245</u>	<u>\$ 354,506</u>

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,939	\$ 8,261
Expense on short-term lease contracts	2,458	2,548
Expense on leases of low-value assets	2,551	3,865

F. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$42,977 and \$42,732, respectively.

(五十二) Investment property

	Land	Buildings and structures	Unfinished construction and equipment under acceptance	Total
	<u>January 1, 2020</u>			
Cost	\$ 4,974,140	\$ 821,143	\$ -	\$ 5,795,283
Accumulated depreciation	-	(66,187)	-	(66,187)
	<u>\$ 4,974,140</u>	<u>\$ 754,956</u>	<u>\$ -</u>	<u>\$ 5,729,096</u>
<u>2020</u>				
At January 1	\$ 4,974,140	\$ 754,956	\$ -	\$ 5,729,096
Additions	-	-	120,477	120,477
Reclassifications	-	120,477	(120,477)	-
Depreciation	-	(39,441)	-	(39,441)
At December 31	<u>\$ 4,974,140</u>	<u>\$ 835,992</u>	<u>\$ -</u>	<u>\$ 5,810,132</u>
<u>December 31, 2020</u>				
Cost	\$ 4,974,140	\$ 941,620	\$ -	\$ 5,915,760
Accumulated depreciation	-	(105,628)	-	(105,628)
	<u>\$ 4,974,140</u>	<u>\$ 835,992</u>	<u>\$ -</u>	<u>\$ 5,810,132</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
<u>January 1, 2019</u>				
Cost	\$ 4,974,140	\$ 539,060	\$ 140,224	\$ 5,653,424
Accumulated depreciation	<u>-</u>	<u>(41,466)</u>	<u>-</u>	<u>(41,466)</u>
	<u>\$ 4,974,140</u>	<u>\$ 497,594</u>	<u>\$ 140,224</u>	<u>\$ 5,611,958</u>
<u>2019</u>				
At January 1	\$ 4,974,140	\$ 497,594	\$ 140,224	\$ 5,611,958
Additions	-	-	141,859	141,859
Reclassifications	-	282,083	(282,083)	-
Depreciation	<u>-</u>	<u>(24,721)</u>	<u>-</u>	<u>(24,721)</u>
At December 31	<u>\$ 4,974,140</u>	<u>\$ 754,956</u>	<u>\$ -</u>	<u>\$ 5,729,096</u>
<u>December 31, 2019</u>				
Cost	\$ 4,974,140	\$ 821,143	\$ -	\$ 5,795,283
Accumulated depreciation	<u>-</u>	<u>(66,187)</u>	<u>-</u>	<u>(66,187)</u>
	<u>\$ 4,974,140</u>	<u>\$ 754,956</u>	<u>\$ -</u>	<u>\$ 5,729,096</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Rental income from investment property	<u>\$ 155,075</u>	<u>\$ 49,429</u>
Direct operating expenses arising from the investment property that generate rental income during the year	<u>\$ 80,258</u>	<u>\$ 17,235</u>
Direct operating expenses arising from the investment property that did not generate rental income during the year	<u>\$ -</u>	<u>\$ 35,897</u>

B. The fair value of the investment property held by the Company as at December 31, 2020 and 2019 was \$6,483,563 and \$6,570,652, respectively, which was valued using the actual price registration. In addition, there was no significance difference between the fair value on December 31, 2020 and the assessment result of the fair value on March 19, 2021 under management's assessment.

C. Amount of borrowing costs capitalised as part of investment property and the interest rate for such capitalisation are as follows:

	Year ended December 31	
	2020	2019
Amount capitalised	\$ -	\$ 1,689
Interest rate for capitalisation	-	1.45%

D. Information about the investment property that was pledged to others as collateral is provided in Note 8.

(五十三) Non-current assets held for sale and discontinued operations

On November 5, 2020, the Company considered the efficiency and utilization of assets, and decided to dispose the 1F to 3F of the plant in Southern Taiwan Science Park after the resolution of the Board of Directors. The disposal transaction amount was \$2,770,000. As of December 31, 2020, the disposal proceeds received in advance amounted to \$1,108,000 (shown as other current liabilities, other) and the related assets were transferred as ‘disposal group held for sale’.

Further, in February 2021, the Company collected additional proceeds from the disposal amounting to \$554,000.

Assets of disposal group held for sale:

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 2,575,574	\$ -

(五十四) Other payables

	December 31, 2020	December 31, 2019
Salary and bonus payable	\$ 84,682	\$ 122,010
Repairs and maintenance expense payable	66,358	81,867
Business tax payable (Note)	61,287	1,405
Payables for machinery and equipment	36,583	92,282
Utility expenses payable	19,922	20,354
Import/export (customs) expense payable	2,311	10,892
Others	71,721	61,171
	\$ 342,864	\$ 389,981

Note: As of December 31, 2020, the Company has collected proceeds in advance from the disposal of 1F to 3F of the plant in Southern Taiwan Science Park and reported the related business tax. Please refer to Note 6(12) for further information.

(五十五) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$ 900,000	\$ 1,500,000
Less: Maturity within one year	-	(600,000)
	<u>\$ 900,000</u>	<u>\$ 900,000</u>

A. In order to fulfill working capital, the Board of Directors resolved to issue the first private unsecured bonds on October 27, 2017, and completed the collection on November 10, 2017. Please refer to Note 7(2)J. The terms and conditions of the private bonds were as follows:

- (a) Issuance amount: NT\$1.8 billion
- (b) Face value: NT\$10 million
- (c) Issuance price: Issued at full amount of face value and divided into A, B and C bonds. The amounts were NT\$300 million, NT\$600 million and NT\$900 million, respectively.
- (d) The time limit of issuance: the issuance period for A bond is 2 years from November 28, 2017 to November 28, 2019. The issuance period for B bond is 3 years from November 28, 2017 to November 28, 2020. The issuance period for C bond is 5 years from November 28, 2017 to November 28, 2022.
- (e) The interest rate of bond and payments of interest: The interest rate of A bond is 2.1%, the interest rate of B bond is 2.2% and the interest rate of C bond is 2.3%. The simple interest is calculated and paid per half year starting from the issuance date.
- (f) The repayment date and method: repayable at once on the maturity date.
- (g) Redemption Right of the Company: The Company could exercise the right of redemption on all or part of bond from the redemption date, 14th of each month starting from 5 months before maturity date for bond A, 6 months for bond B and 1 year for bond C. However, the exercise amount shall be NT\$10 million or multiples of NT\$10 million. When exercising the redemption right mentioned above, the Group must send redemption notice to each debtor for redemption amount one month before the redemption date.
- (h) Put option of bondholder: The bondholders can exercise put options on the 14th of each month (redemption date) starting from 5 months before the maturity date for bond A, starting from 6 months before the maturity date for bond B and starting from 1 year before the maturity date for bond C. However, the exercise amount shall be exactly NT\$10 million or multiples of NT\$10 million. When the bondholder exercises the aforementioned put options, the bondholder shall give the Company the bond sales notice for sell amount within one month before the sell date.
- (i) Secure method: None.

B. The Company transferred current bonds payable as long-term liabilities, current portion based on the liquidity. On December 31, 2020 and 2019, the amounts were \$0 and \$600,000, respectively.

(五十六) Long-term borrowings

<u>Borrowing period and repayment term</u>	<u>Coupon Rate</u>	<u>December 31, 2020</u>
Land and buildings on Yixian Road, Sec. 2 pledged as collateral for borrowings		
NTD borrowings from Land Bank: the borrowing period is 15 years and interest is payable monthly for the first 3 years, principal is payable quarterly starting from the 4th year until May 2033 (Note).	1.20%	\$ 4,160,000
Unsecured borrowings		
Borrowing from Taishin Bank: the borrowing period is 3 years and is payable on the maturity date.	1.57%	300,000
Borrowing from Taipei Fubon Bank (Anhe Branch): 12 months starting from the first drawdown date is the grace period, and principal is payable every 6 months after the grace period into 5 installments at 20% per installment.	1.56%	300,000
		<u>4,760,000</u>
Less: Current portion (including unamortised long-term borrowing cost)		(<u>233,333</u>)
		<u>\$ 4,526,667</u>

<u>Borrowing, period and repayment term</u>	<u>Coupon Rate</u>	<u>December 31, 2019</u>
Land and buildings on Yixian road 2nd sec. pledged as collateral for borrowing		
NTD borrowings from Land Bank: the borrowing period is 15 years and interest is payable monthly for the first 3 years, principal is payable quarterly starting from the 4th year until May 2033 (Note).	1.45%	<u>\$ 4,160,000</u>

Note: The Company has pledged certain property, plant and equipment as collateral for the above borrowing.

On May 8, 2018, the Company entered into a syndicated loan for 15 years with Land Bank, for a facility of \$4.16 billion with land and buildings on Yixian Rd., Sec. 2 as collateral.

(五十七) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on

the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) In April 2020, employees covered under the aforementioned pension plan have reached an agreement with the Company to clear the service years under the old pension, and settled the pension fund with the Bank of Taiwan. The remaining fund balance has been returned to the Company.

(c) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 716)
Fair value of plan assets	<u>62,427</u>
Net defined benefit asset	<u>\$ 61,711</u>

(d) Movements in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
2020			
At January 1	(\$ 716)	\$ 62,427	\$ 61,711
Clear the service years of old pension	<u>716</u>	<u>(62,427)</u>	<u>(61,711)</u>
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset
2019			
At January 1	(\$ 621)	\$ 59,716	\$ 59,095
Interest (expense) income	(9)	822	813
	<u>(630)</u>	<u>60,538</u>	<u>59,908</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,889	1,889
Change in demographic assumptions	(8)	-	(8)
Change in financial assumptions	(49)	-	(49)
Experience adjustments	(29)	-	(29)
	<u>(86)</u>	<u>1,889</u>	<u>1,803</u>
At December 31	<u><u>(\$ 716)</u></u>	<u><u>\$ 62,427</u></u>	<u><u>\$ 61,711</u></u>

(e) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019, is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(f) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2019
Discount rate	<u>1.000%</u>
Future salary increases	<u>2.00%</u>

Assumptions regarding future mortality rate were estimated to be 10% in accordance with

the 5th version of Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ <u>34</u>)	\$ <u>35</u>	\$ <u>35</u>	(\$ <u>33</u>)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension assets in the balance sheet are the same.

The methods used in preparing the sensitivity analysis did not change compared to the previous period.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$11,331 and \$10,036, respectively.

(五十八) Share-based payment

- A. For the years ended December 31, 2020 and 2019, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2019/8/12	7,000	-	Vested immediately

The abovementioned share-based payment arrangements are equity-settled.

B. Details of the share-based payment arrangements are as follows:

	2019	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -
Options granted	7,000	13.5
Options exercised	(3,142)	13.5
Options expired	(3,858)	13.5
Options outstanding at December 31	-	
Options exercisable at December 31	-	-

C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2019 was \$14.05.

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Share price	Exercise price	Expected price volatility	Expected option life	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	2019/8/12	\$ 14.05	\$ 13.50	50.49%	9 days	0.49%	\$ 0.77

Note: Expected price volatility rate was estimated using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

E. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2019
Cash capital increase reserved for employee preemption	\$ 5,390

(五十九) Share capital

A. As of December 31, 2020, the Company's authorized capital was \$20,000,000, consisting of 2 billion shares, and the paid-in capital was \$8,069,485 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding (in thousands) are as follows:

	2020	2019
At January 1	806,949	736,949
Cash capital increase	-	70,000
At December 31	806,949	806,949

- B. In order to repay liabilities, fulfill working capital, improve financial structure or strategic alliance to develop related business, the shareholders on May 30, 2014, resolved to increase capital in cash through private placement or public offering and issue common shares up to a maximum of 700 million shares or increase capital through the issuance of global depository receipts (including private placement of common shares not to exceed 300 million shares), with a par value of \$10 per share. On July 8, 2014, the Board of Directors of the Company resolved to increase capital in cash through private placement of 281,690 thousand common shares with a discounted price of \$7.10 per share, totaling \$1,999,999. The effective date of private placement was July 22, 2014, and the purpose of capital increase was for additional working capital. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares. On May 8, 2020, the Board of Directors of the Company resolved to apply for additional public offering and listed transaction, and submitted the related data to the authority on July 24, 2020. The effective date of the letter from the authority was August 4, 2020, and the stock has been listed in the security market.
- C. In order to promote the development of strategy alliance, improve financial structure, fulfill working capital, and repay liabilities, the Company's shareholders, on June 16, 2020, resolved to increase capital in cash and issue common shares up to 70 million shares or increase capital through the issuance of global depository receipts. The Company will choose one or both methods, at a par value of NT\$10 per share.

(六十) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(六十一) Retained earnings

- A. Under the Company's Articles of Incorporation, the annual earnings, if any, shall first be used to pay all taxes and offset accumulated deficit and then 10% of the remaining amount shall be set

aside as legal reserve until the legal reserve equals the paid-in capital. Except for the distribution of cash dividends and bonus which the Board of Directors are authorised to resolve and then report to shareholders, others will be proposed by the Board of Directors and approved by the shareholders.

- B. According to the Articles of Incorporation, the Company shall consider to appropriate all of current undistributed earnings based on finance, business, operation and other factors. The appropriation of earnings can be in the form of cash dividend or stock dividend separately or both. The ratio of cash dividend shall not be lower than 20% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 20% of the Company's paid-in capital.
- D. On March 19, 2021, the Board of Directors during its meeting resolved the following:

	<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 35,000	
Reversal of special reserve	(7,643)	
Cash dividends	<u>314,710</u>	\$ -
	<u>\$ 342,067</u>	

- E. On June 16, 2020, the appropriation of 2019 earnings resolved by the shareholders is as follows. In addition, as the Company had accumulated deficit as of December 31, 2018, no available earnings can be distributed.

	<u>Year ended December 31, 2019</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 96,963	
Cash dividends	<u>282,432</u>	\$ 0.35
	<u>\$ 379,395</u>	

(六十二) Operating revenue

	Year ended December 31	
	2020	2019
Revenue from contracts with customers		
Touch sensors and related products	\$ 2,774,175	\$ 4,199,530
Rental revenue from property	155,075	49,429
	<u>\$ 2,929,250</u>	<u>\$ 4,248,959</u>

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major geographical regions:

	Year ended December 31	
	2020	2019
<u>Revenue from external customer contracts</u>		
South Korea	\$ 2,096,081	\$ 3,120,698
China	630,552	1,069,182
Taiwan	202,617	59,079
	<u>\$ 2,929,250</u>	<u>\$ 4,248,959</u>

For the year ended December 31, 2020, the Group was affected by COVID-19, thus orders from customers were delayed and the operating revenue and capacity utilization were jointly affected. However, the Group has communicated with customers and continually produced its products for delivery subsequently. There was no significant effect on the range of service contract and price.

(六十三) Interest income

	Year ended December 31	
	2020	2019
Interest income from bank deposits	\$ 2,201	\$ 487
Interest income from financial assets measured at amortised cost	424	1
Other interest income	5	4
Interest income	<u>\$ 2,630</u>	<u>\$ 492</u>

(六十四) Other income

	Year ended December 31	
	2020	2019
Revenue from purchasing masks on behalf of others	\$ 9,741	\$ 11,605
Rent income	22,971	2,017
Dividend income	-	4,430
Income from settlement of old pension fund	2,339	-
Government grant revenues (Note 1)	51,005	14,137
Other income (Note 2)	53,216	5,606
	<u>\$ 139,272</u>	<u>\$ 37,795</u>

Note 1: The Company obtained the plan of AOI intelligent detection feedback system to enhance the output value of touch sensor and A+ Industrial innovative R&D program to support big size Micro LED Display technique. The development time of this plan was 17~24 months. For the years ended December 31, 2020 and 2019, the grant revenue recognised based on execution stage were \$16,480 and \$14,137, respectively. Further, as the Company was affected by COVID-19, the Company applied for economic relief package and recognised grant revenue in the amount of \$34,525 for the year ended December 31, 2020.

Note 2: The dispute between the Company and PAI CHUNG ENGINEERING CO., LTD. (PAI CHUNG ENGINEERING) has been concluded by the Taiwan Taipei District Court in September 2020. Accordingly, the Company transferred other payable to PAI CHUNG ENGINEERING amounting to \$39,600 as other income based on the judgement.

(六十五) Other gains and losses

	Year ended December 31	
	2020	2019
(Losses) gains on disposals of property, plant and equipment	(\$ 10,614)	\$ 13,362
Reversal of impairment loss on non-financial assets (Note)	28,698	-
Gains on financial instruments at fair value through profit or loss	2,996	38,585
Net foreign exchange losses	(33,112)	(14,588)
Other losses	(5,970)	(12,238)
	<u>(\$ 18,002)</u>	<u>\$ 25,121</u>

Note: Please refer to Note 6(9) for the related information.

(六十六) Employee benefit expense and expenses by nature

	Year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salary expenses	\$ 161,969	\$ 91,935	\$ 253,904
Labour and health insurance fees	16,471	6,596	23,067
Pension costs	7,470	3,861	11,331
Directors' remuneration	-	8,400	8,400
Other personnel expenses	20,949	12,216	33,165
Depreciation expense	926,852	4,665	931,517
Amortisation charge	3,575	3,160	6,735

	Year ended December 31, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salary expenses	\$ 190,335	\$ 93,519	\$ 283,854
Labour and health insurance fees	14,883	5,299	20,182
Pension costs	6,979	2,244	9,223
Directors' remuneration	-	23,742	23,742
Other personnel expenses	27,101	15,316	42,417
Depreciation expense	953,520	3,546	957,066
Amortisation charge	4,301	2,391	6,692

As of December 31, 2020 and 2019, the Company had 341 and 324 employees, respectively. There were 6 non-employee directors for both years.

For the years ended December 31, 2020 and 2019, the average employee benefits were \$960 and \$1,118, respectively, the average salary expenses were \$758 and \$893, respectively, and the average change in adjustments on salary expenses was (15.12%). In addition, the Company had established the audit committee to replace supervisors, thus no remuneration was paid to supervisors.

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

- a. Employees' salary standard is determined based on job responsibility, education and experience, professional knowledge and skill and their professional seniority. Salary and remuneration shall not be based on the employees' age, gender, race, religion, political affiliation and civil status.
- b. Bonus will be distributed based on the Company's operating performance and employees' individual performance.
- c. Employees' compensation is determined based on the job grade, performance and years of service.
- d. Salary increase is determined based on the Company's operating condition, taking into

consideration domestic economic growth rate, price index and salary increases within the same industry and the individual performance.

- e. Directors' and managers' remuneration and employees' compensation are discussed by the remuneration committee and proposed to the Board of Directors for approval.
- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.001% and 15% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$25,020 and \$59,364, respectively; while directors' remuneration was accrued at \$6,000 and \$17,128, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2020, the employees' compensation and directors' remuneration were estimated and accrued based on profit of current year distributable as of the end of reporting period as prescribed by the Company's Articles of Incorporation. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were the same, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(六十七) Income taxes

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Tax on undistributed earnings	25,895	-
Prior year income tax underestimation	-	809
Total current tax	<u>25,895</u>	<u>809</u>
Deferred tax:		
Origination and reversal of temporary differences	82,135	198,507
Income tax expenses	<u>\$ 108,030</u>	<u>\$ 199,316</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2020	2019
Remeasurement of defined benefit obligations	\$ -	\$ 361
Changes in fair value of financial assets at fair value through other comprehensive income	(1,614)	-
	<u>(\$ 1,614)</u>	<u>\$ 361</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2020	2019
Income tax calculated by applying statutory rate to the profit before tax	\$ 85,382	\$ 176,910
Expenses disallowed by tax regulation	17	3,589
Tax exempt income by tax regulation	(3,264)	(3,850)
Temporary differences not recognised as deferred tax assets	-	21,858
Tax on undistributed earnings	25,895	-
Prior year income tax under estimation	-	809
Income tax expenses	<u>\$ 108,030</u>	<u>\$ 199,316</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
– Deferred tax assets:				
Temporary differences:				
Provisions	\$ 8,072	(\$ 3,911)	\$ -	\$ 4,161
Impairment loss	37,763	(24,450)	-	13,313
Loss on obsolete inventories / Inventory valuation loss	3,134	2,532	-	5,666
Unrealised loss on valuation of financial instruments	-	-	1,614	1,614
Unrealised exchange loss	271	(271)	-	-
Loss carryforward	372,737	(73,164)	-	299,573
	<u>421,977</u>	<u>(99,264)</u>	<u>1,614</u>	<u>324,327</u>
– Deferred tax liabilities:				
Temporary differences:				
Defined benefit plan	(8,025)	8,025	-	-
Unrealised gain on valuation of financial instruments	(9,883)	9,110	-	(773)
Unrealised exchange gain	-	(6)	-	(6)
	<u>(17,908)</u>	<u>17,129</u>	<u>-</u>	<u>(779)</u>
Total	<u>\$ 404,069</u>	<u>(\$ 82,135)</u>	<u>\$ 1,614</u>	<u>\$ 323,548</u>
	2019			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
– Deferred tax assets:				
Temporary differences:				
Provisions	\$ 3,636	\$ 4,436	\$ -	\$ 8,072
Impairment loss	195,213	(157,450)	-	37,763
Loss on obsolete inventories / Inventory valuation loss	1,672	1,462	-	3,134
Unrealised loss on valuation of financial instruments	12,052	(12,052)	-	-
Unrealised exchange loss	416	(145)	-	271
Loss carryforward	397,612	(24,875)	-	372,737
	<u>610,601</u>	<u>(188,624)</u>	<u>-</u>	<u>421,977</u>
– Deferred tax liabilities:				
Temporary differences:				
Defined benefit plan	(7,664)	-	(361)	(8,025)
Unrealised gain on valuation of financial instruments	-	(9,883)	-	(9,883)
	<u>(7,664)</u>	<u>(9,883)</u>	<u>(361)</u>	<u>(17,908)</u>
Total	<u>\$ 602,937</u>	<u>(\$ 198,507)</u>	<u>(\$ 361)</u>	<u>\$ 404,069</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 109,290</u>

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2012	\$ 2,380,945	\$ 317,047	\$ 91,254	2022
2014	994,010	994,010	-	2024
2016	278,062	278,062	-	2026

December 31, 2019				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2012	\$ 2,380,945	\$ 682,869	\$ -	2022
2014	994,010	994,010	-	2024
2016	278,062	278,062	-	2026

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(六十八) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 350,004</u>	<u>806,949</u>	<u>\$ 0.43</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 350,004	806,949	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>3,724</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 350,004</u>	<u>810,673</u>	<u>\$ 0.43</u>
	Year ended December 31, 2019		
		Weighted average number of ordinary shares outstanding	Earnings per share
<u>Basic earnings per share</u>	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,018,057</u>	<u>753,916</u>	<u>\$ 1.35</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,018,057	753,916	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>1,259</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,018,057</u>	<u>755,175</u>	<u>\$ 1.35</u>

(六十九) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31	
	2020	2019
Purchase of property, plant and equipment	\$ 47,001	\$ 98,869
Reclassifications to investment property	-	-
Add: Opening balance of payable on equipment	69,907	95,254
Less: Ending balance of payable on equipment	(3,838)	(69,907)
Less: Others	(39,600)	-
Cash paid during the year	<u>\$ 73,470</u>	<u>\$ 124,216</u>

	Year ended December 31	
	2020	2019
Purchase of investment property	\$ 120,477	\$ 141,859
Reclassified from property, plant and equipment	-	-
Add: Opening balance of payable on equipment	22,375	32,829
Less: Ending balance of payable on equipment	(32,745)	(22,375)
Cash paid during the year	<u>\$ 110,107</u>	<u>\$ 152,313</u>

(七 +) Changes in liabilities from financing activities

For the years ended December 31, 2020 and 2019, the Company's liabilities from financing activities included bonds payable, long-term borrowings and lease liabilities. The changes all pertain to changes in the financing cash flow and other non-cash changes, the aggregate amounts were as follows. Please refer to statements of cash flows for other information.

	2020				Liabilities from financing activities-gross
	Short-term borrowings	Bonds payable	Long-term borrowings	Lease liability	
At January 1	\$ -	\$ 1,500,000	\$ 4,160,000	\$ 358,272	\$ 6,018,272
Changes in cash flow from financing activities	-	(600,000)	600,000	(37,968)	(37,968)
Changes in other non-cash items	-	-	-	22,461	22,461
At December 31	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 4,760,000</u>	<u>\$ 342,765</u>	<u>\$ 6,002,765</u>

	2019				
	Short-term borrowings	Bonds payable	Long-term borrowings	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 520,000	\$ 1,800,000	\$ 5,948,458	\$ -	\$ 8,268,458
Adjustments under new standards	-	-	-	386,667	386,667
Changes in cash flow from financing activities	(520,000)	(300,000)	(1,788,458)	(36,319)	(2,644,777)
Changes in other non-cash items	-	-	-	7,924	7,924
At December 31	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 4,160,000</u>	<u>\$ 358,272</u>	<u>\$ 6,018,272</u>

21. Related Party Transactions

(七十一) Names of related parties and relationship with the Company

Names of related parties	Relationship with the Company
Hannstar Display Corp. (Hannstar)	Entities with significant influence to the Company
Hannstar Display (Nanjing) Corp. (Hannstar (Nanjing))	Other related party
Glory Stone Co., Ltd. (White Stone)	Subsidiary
Mian-Lu Corp. (Mian-Lu)	Subsidiary

(七十二) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2020	2019
Entities with significant influence to the Company	\$ 17,647	\$ -
Subsidiaries	85,784	29,291
	<u>\$ 103,431</u>	<u>\$ 29,291</u>

There were no similar transactions that can be compared with. The transaction conditions were based on the mutual agreement.

B. Purchases

	Year ended December 31	
	2020	2019
Purchases of goods:		
Entities with significant influence to the Company	\$ 9,335	\$ 5,446
Other related parties	-	643
	<u>\$ 9,335</u>	<u>\$ 6,089</u>

There were no similar transactions that can be compared with. The transaction conditions were based on the mutual agreement.

C. Rent expense

	Year ended December 31	
	2020	2019
Entities with significant influence to the Company	\$ 2,575	\$ 2,548

There were no similar transactions that can be compared with. The transaction conditions were based on the mutual agreement.

D. Interest expenses

	Year ended December 31	
	2020	2019
Hannstar	\$ 29,390	\$ 38,751

E. Administrative expenses

	Year ended December 31	
	2020	2019
Subsidiaries	\$ 18,351	\$ -

F. Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable:		
Entities with significant influence to the Company	\$ 16,460	\$ -
Subsidiaries	57,160	29,697
	<u>\$ 73,620</u>	<u>\$ 29,697</u>
Other receivables:		
Subsidiaries	\$ 485	\$ 100

It pertains to rent receivable and office expenses.

G. Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Entities with significant influence to the Company	\$ <u>2,486</u>	\$ <u>18</u>
Other payables:		
Entities with significant influence to the Company	\$ 1,964	\$ 3,638
Subsidiaries	<u>651</u>	<u>62</u>
	<u>\$ 2,615</u>	<u>\$ 3,700</u>

H. Receipts in advance (shown as other current liabilities)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Hannstar	\$ <u>1,108,000</u>	\$ <u>-</u>

Advance receipts from disposal of 1F to 3F of Tainan Science Park.

I. Property transactions

Disposal of property, plant and equipment

	<u>Year ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Disposal proceeds</u>	<u>Gain/(loss)</u>	<u>Disposal proceeds</u>	<u>Gain/(loss)</u>
Entities with significant influence to the Company	\$ <u>14</u>	\$ <u>14</u>	\$ <u>-</u>	\$ <u>-</u>

J. Issuance of bonds payable

On November 28, 2017, the Group issued domestic first private unsecured bonds, the issuance amount was NT\$1.8 billion which was used to repay the corporate bonds issued in 2016. The bonds were fully subscribed by Hannstar. As of December 31, 2020, the Company's bonds payable was \$900,000 (including current portion).

(七十三) Key management compensation

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 31,202	\$ 38,249
Share-based payment	-	1,176
	<u>\$ 31,202</u>	<u>\$ 39,425</u>

22. Pledged Assets

The Company's assets pledged for the purpose of long-term borrowings, customs duty on raw material imports and performance bond are as follows:

<u>Pledged asset</u>	<u>Book value</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Pledged time deposits (shown as other financial assets)	\$ 38,489	\$ 38,741
Demand deposits (shown as other financial assets)	20,901	43,010
Property, plant and equipment and investment property	5,215,919	5,610,105
	<u>\$ 5,275,309</u>	<u>\$ 5,691,856</u>

23. Significant Contingent Liabilities and Unrecognised Contract Commitments

As of December 31, 2020, significant commitments and contingencies are outlined as follows:

(七十四) Contingencies

In November 2013, the Tainan District Prosecutors Office initiated the prosecution proceedings against the Company and the Company's former Directors and financial managers suspected of false reporting, increasing the contract prices of construction projects, purchasing scrapped equipment, misappropriating deposits, receiving kickbacks, hollowing out the Company's assets and breach of trust under the Securities and Exchange Act, Criminal Code, Business Entity Accounting Act and Tax Collection Act and other crimes. In December 2016, the Criminal court of Tainan District Court has rendered its decision that the Company is innocent. In March 2019, the second instance court has found the other defendants guilty. The above criminal case has been initiated for third instance with the Supreme Court. Further, the Company filed additional civil lawsuits against 14 people suspected of the criminal case. In January 2019, the first instance court has rendered its judgment whereby the Company partly won in some of the cases. Consequently, the Company filed appeals with the Taiwan High Court Tainan Branch Court which are still pending as of the report date. As the construction and equipment had been derecognised from past financial statements through depreciation, impairment and loss from disposal, the above cases have no significant effect on the Company's financial situation.

(七十五) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 32,366	\$ 37,430
Investment property	7,697	88,257
	<u>\$ 40,063</u>	<u>\$ 125,687</u>

24. Significant Disaster Loss

None.

25. Significant Events after the Balance Sheet Date

- (1) Refer to Notes 6(12), 6(20) and 6(25) for details.
- (2) On March 19, 2021, the Company's board of directors resolved not to proceed with the capital increase by cash through the issuance of up to 70 million shares of stock either through private placement or public offering, as resolved by the shareholders during their meeting last June 16, 2020 for the purpose of developing strategic alliances, increasing working capital, etc. However, in order for the Company to have the flexibility to respond to changes in the industry and the economy, and in line with the practice of the competent authority to review the plans of companies to raise capital, the Company's board of directors proposed another resolution for the capital increase.
- (3) For the purpose of developing strategic alliances and increasing working capital, the Company's board of directors during its meeting on March 19, 2021 resolved to increase capital through the issuance of up to 80 million shares of stock or depository receipts with a proposed denomination of NT\$10 per share through private placement or public offering.
- (4) Loans to Glory Stone were resolved by the Board of Directors on March 19, 2021 in the amount of \$300,000.

26. Others

(七) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company adjusted the capital structure through the issuance of new shares to borrow or repay loans.

(八) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 46,481	\$ 48,156
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 193,411	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,618,587	\$ 320,390
Financial assets at amortised cost	600,000	789
Accounts receivable (including related parties)	319,138	411,374
Other receivables (including related parties)	22,137	1,728
Other financial assets	59,390	81,751
	<u>\$ 2,619,252</u>	<u>\$ 816,032</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	\$ 1	\$ -
Loss from financial liabilities at amortised cost		
Notes payable	\$ 217	\$ 1,341
Accounts payable (including related parties)	136,986	161,745
Other payables (including related parties)	345,479	393,681
Bonds payable (including current portion)	900,000	1,500,000
Long-term borrowings (including current portion)	4,760,000	4,160,000
	<u>\$ 6,142,682</u>	<u>\$ 6,216,767</u>
Lease liability	<u>\$ 342,765</u>	<u>\$ 358,272</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under

policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and JPY. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require the Company to manage its foreign exchange risk against the functional currency. The Company is required to hedge the entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020						
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 9,931	28.100	\$ 279,061	1%	\$ 2,791	\$ -
JPY:NTD	68,713	0.2725	18,724	1%	187	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,639	28.100	46,056	1%	461	-
JPY:NTD	127,884	0.2725	34,848	1%	348	-

December 31, 2019						
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,548	29.980	\$ 406,157	1%	\$ 4,062	\$ -
JPY:NTD	120,067	0.2760	33,139	1%	331	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	2,003	29.980	60,047	1%	600	-
JPY:NTD	101,771	0.2760	28,089	1%	281	-

- iv. Total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to (\$33,112) and (\$14,588), respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$462 and \$472, respectively.

Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Company policy is to maintain at least 1~3% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company adopts the assumption that the default occurs when the contract payments are past due over 120 days.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments.

v. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2020 and 2019, the Company had no written-off financial assets that are still under recourse procedures.

vi. The methods used by the Company in assessing the expected credit risk of accounts receivable were as follows:

(i) Individually estimated expected credit loss according to individual significant accounts receivable which are considered on default;

(ii) Other customers' accounts receivable were classified based on the Company's credit

rating standards. The Company applies different loss rate methodology and provision matrix to estimate the expected credit loss of different groups.

- (iii) Loss rates are calculated based on past and current information, taking into account forward-looking information provided by the Basel Committee on Banking Supervision.
- (iv) On December 31, 2020 and 2019, the provision loss for accounts receivable which were individually estimated by loss rate methodology and provision matrix were as follows:

	<u>Group 1</u>	<u>Group 2</u>	<u>Total</u>
<u>December 31, 2020</u>			
Expected loss rate	0.03%~100%	0.03%	
Total book value	\$ -	\$ 266,410	\$ 266,410
	<u>Group 1</u>	<u>Group 2</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	0.03%~100%	0.03%	
Total book value	\$ -	\$ 422,176	\$ 422,176

Group 1: For customers with impairment indications, individual expected credit loss is determined through considering the claim order of insurance and debts.

Group 2: Long-term customers with good credit history.

- vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2020</u>
	<u>Accounts receivable</u>
At January 1	\$ 137
Reversal of impairment loss	(48)
At December 31	<u>\$ 89</u>
	<u>2019</u>
	<u>Accounts receivable</u>
At January 1	\$ 16,495
Provision for impairment loss	136
Write-offs	(16,494)
At December 31	<u>\$ 137</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities were as follows:

Non-derivative financial liabilities:

	Less than 1 year	Between 2 and 3 years	Between 3 and 4 years	Over 5 years
December 31, 2020				
Financial liabilities at fair value through profit or loss	\$ 1	\$ -	\$ -	\$ -
Notes payable	217	-	-	-
Accounts payable (including related parties)	136,986	-	-	-
Other payables (including related parties)	345,479	-	-	-
Current tax liabilities	25,895	-	-	-
Lease liability	30,794	63,532	66,401	182,038
Other current liabilities, others	1,123,886	-	-	-
Bonds payable (including put option on corporate bonds matured or exercised within 1 year)	-	900,000	-	-
Long-term borrowings (including current portion)	291,907	1,332,294	764,378	2,718,215

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 2 and 3 years	Between 3 and 4 years	Over 5 years
Notes payable	\$ 1,341	\$ -	\$ -	\$ -
Accounts payable (including related parties)	161,745	-	-	-
Other payables (including related parties)	393,681	-	-	-
Lease liability	29,028	59,816	62,449	206,979
Other current liabilities, others	10,939	-	-	-
Bonds payable (including put option on corporate bonds matured or exercised within 1 year)	600,000	900,000	-	-
Long-term borrowings (including current portion)	-	695,603	789,232	3,131,656

iii. In order to repay the borrowings, the Company planned to issue shares of stock through public offering or private placement. Please refer to Note 6(18)C for details.

(九) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in forward foreign exchange contracts is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), other financial assets - current, notes payable, accounts payable (including related parties), other payables (including related parties) and lease liabilities) approximate to their fair values. On December 31, 2020 and 2019, the fair value of long-term borrowings (including current portion) which were included in Level 3 were \$3,973,461 and \$3,278,828, respectively.

D. Financial and non-financial instruments measured at fair value

- (a) The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 are as follows:

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 200	\$ -	\$ -	\$ 200
Unlisted stocks	-	-	46,047	46,047
Non-hedging derivatives	-	234	-	234
Financial assets at fair value through other comprehensive income				
Listed and emerging stocks	193,411	-	-	193,411
	<u>\$ 193,611</u>	<u>\$ 234</u>	<u>\$ 46,047</u>	<u>\$ 239,892</u>
<u>Non-recurring fair value measurements</u>				
Non-current assets held for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,575,574</u>	<u>\$ 2,575,574</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Non-hedging derivatives	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ -	\$ -	\$ 47,229	\$ 47,229
Unlisted stocks	-	927	-	927
	<u>\$ -</u>	<u>\$ 927</u>	<u>\$ 47,229</u>	<u>\$ 48,156</u>

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. For the instruments the Company used market quoted prices as their fair values (that is, Level 1), the Company uses the closing price of the listed shares as fair value.
 - ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
 - iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- E. On December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. On December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- G. Finance and accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. The Company's finance and accounting department use the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau or through outsourced appraisal performed by the external valuer.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	December 31, 2020 Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 46,047	Market comparable companies	Price book ratio multiplier, discount for lack of marketability	Not applicable	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value

	December 31, 2019 Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 47,229	Market comparable companies	Price book ratio multiplier, discount for lack of marketability	Not applicable	The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value

27. Supplementary Disclosures

(+) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 3.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: Please refer to Notes 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(+ -) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(+ 二) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(十 三) Major shareholders information

Major shareholders information: Please refer to Table 6.

28. Segment Information

Not applicable

HANNSTOUCH SOLUTION INCORPORATED
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 1

Items	Summary	Amount
Bank deposit		
Checking account deposits	NTD	\$ 432
Demand deposits	NTD	171,412
	JPY 68,713 thousand, exchange rate: \$0.2725	18,724
	USD 997 thousand, exchange rate: \$28.100	28,019
Cash equivalents		
Time deposits		1,400,000
		<u>\$ 1,618,587</u>

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 2

Investee	Summary	No. of shares (in thousands)	Acquisition cost	Fair value	Collateral or endorsement provided
KHAM INC.	Stocks	4	216	200	None
YH Bio Co., Ltd.	Stocks	6,973	64,923	44,229	"
VITA GENOMICS, INC.	Stocks	156	1,278	1,432	"
Touch Cloud Inc.	Stocks	250	5,000	386	"
			<u>\$ 71,417</u>	<u>\$ 46,247</u>	

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE
INCOME
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 3

Name of financial instrument	Summary	No. of shares (in thousands)	Acquisition cost	Fair value Total amount	Note
Hannstar Display Corp.	Stock	15,744	\$ 201,482	\$ 193,411	None

HANNSTOUCH SOLUTION INCORPORATED
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 4

Name	Opening balance		Cash dividends paid during the year	Investment income (loss)	Ending balance			Market price or net equity Total amount
	Number of shares (per thousand share)	Amount			Number of shares (per thousand share)	Shareholding ratio	Amount	
Richest Investment Ltd.	4,500	\$ -	-	-	4,500	100%	\$ -	\$ -
Golden Apple Investment Corporation	15,000	153,627	(3,264)	(15,679)	15,000	100%	134,684	-
Glory Stone Co., Ltd.	22,000	193,566	-	20,884	22,000	42.31%	214,450	-
		<u>\$ 347,193</u>	<u>(\$ 3,264)</u>	<u>\$ 5,205</u>			<u>\$ 349,134</u>	<u>\$ -</u>

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 5

<u>Customer Name</u>	<u>Amount</u>	<u>Note</u>
A customer	\$ 132,020	
B customer	62,940	
C customer	44,269	
D customer	19,487	
Others	<u>7,694</u>	The balance of individual client account is less than 5% of the accounts receivable balance
	266,410	
Less: Sales returns and discounts and allowances	(20,803)	
Allowance for doubtful accounts	<u>(89)</u>	
	<u>\$ 245,518</u>	

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF INVENTORIES
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 6

Items	Amount		Note
	Cost	Net realisable value	
Materials and supplies	\$ 62,886	\$ 51,305	Inventories calculated based on lower of cost and the net realisable value
Work in progress	30,204	30,204	
Finished goods	<u>133,337</u>	<u>190,360</u>	
	226,427		
Less: Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	(<u>28,327</u>)		
	<u>\$ 198,100</u>	<u>\$ 271,869</u>	

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 7

<u>Vendor name</u>	<u>Amount</u>	<u>Note</u>
A Vendor	\$ 30,148	
B Vendor	17,773	
C Vendor	15,156	
D Vendor	12,640	
E Vendor	7,704	
Others	51,079	The balance of individual vendor account is less than 5% of the accounts payable balance
	<u>\$ 134,500</u>	

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF LONG-TERM BORROWINGS
DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 8

<u>Creditor</u>	<u>Summary</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest</u>	<u>Pledged or guarantee</u>
Land Bank	Secured borrowings for land and buildings located in Yixian Rd., Sec. 2, with a contract period of 15 years. Interest is payable monthly for the first 3 years, and the principal is payable quarterly starting from the fourth year until May 2033.	\$ 4,160,000	2018/5~2033/5	1.20%	Investment property
Taishin International Bank	Contract period is 3 years, the borrowing is payable on the maturity date.	300,000	2020/8~2023/8	1.57%	Unsecured
Taipei Fubon Bank	The borrowing has a grace period of 12 months starting from the first drawdown date, and the principal is payable every 6 months after the grace period in 5 installments at 20% per installment.	<u>300,000</u>	2020/8~2023/8	1.56%	Unsecured
		4,760,000			
Less:	Current portion (including unamortized cost of long-term borrowings)	<u>(233,333)</u>			
		<u>\$ 4,526,667</u>			

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 9

<u>Items</u>	<u>Numbers</u> <u>(in thousand pcs)</u>	<u>Amount</u>
Sales revenue		
Touch products	1,540	\$ 2,823,948
Rental revenue from property		<u>155,075</u>
Total operating revenue		2,979,023
Less: Sales returns and discounts and allowances		(49,773)
Operating revenue, net		<u>\$ 2,929,250</u>

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF OPERATING COST
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 10

Items	Amount
Direct materials	
Add: Raw materials at beginning	\$ 56,370
Material purchased during the year	792,942
Less: Raw materials at the end	(62,886)
Others	(147,316)
Cost of material	639,110
Direct labor	63,852
Overhead	1,686,121
Unallocated overhead expense	(299,522)
Manufacturing cost	2,089,561
Add: Beginning work in Progress	31,136
Less: Ending work in Progress	(30,204)
Cost of finished goods	2,090,493
Add: Beginning finished goods	104,319
Purchases during the year	7,202
Less: Ending finished goods	(133,337)
Expenses order settlement	(1,650)
Others	(88,800)
Cost of finished goods sold	1,978,227
Test goods transferred to cost of sales	(360)
Unallocated overhead expense	299,522
Inventory valuation loss	12,657
Scrapped inventories	4,259
Total operating cost	<u>\$ 2,294,305</u>

HANNSTOUCH SOLUTION INCORPORATED
DETAILS OF MANUFACTURING EXPENSE
YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Statement 11

Items	Amount
Depreciation	\$ 926,852
Repairs and maintenance expense	233,355
Utilities expense	200,257
Salary expenses	115,157
Amortisation charge	3,575
Others	206,925
	<u>\$ 1,686,121</u>

	<u>Selling expenses</u>	<u>General and administrative expenses</u>	<u>Research and development expenses</u>	<u>Total</u>
Employee benefit expense				
Salary expenses	\$ 11,785	\$ 65,100	\$ 15,050	\$ 91,935
Labour and health insurance fees	924	4,535	1,137	6,596
Pension costs	591	2,545	725	3,861
Directors' remuneration	-	8,400	-	8,400
Other personnel expenses	913	10,257	1,046	12,216
Depreciation	204	3,731	730	4,665
Amortisation charge	-	1,118	2,042	3,160
Cost of services	277	15,908	-	16,185
Others	12,570	32,953	19,948	65,471
	<u>\$ 27,264</u>	<u>\$ 144,547</u>	<u>\$ 40,678</u>	<u>\$ 212,489</u>

HannsTouch Solution Incorporated

Loans to others

Year ended December 31, 2020

Table 1

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 3)	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
													Item	Value			
0	HannsTouch Solution Incorporated	Glory Stone Co., Ltd.	Other receivables due from related parties	Yes	\$ 130,000	\$ 130,000	\$ -	Undetermined	Necessary for short- term financing	\$ -	Operating	\$ -	None	\$ -	\$ 186,926	\$ 1,888,219	Note 4, 5, 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: The upper limit of capital loan and balance of capital loans in the end of the year are the amount approved by the Board of Directors, not actual drawn amount.

Note 4: The limit of HannsTouch Solution Incorporated loans to individual who has the needs of short-term financing shall not exceed 20% of the net asset value of latest financial statements.

Note 5: The total loans amount of HannsTouch Solution Incorporated shall not exceed 30% of net asset value.

Note 6: The limits of the company loan to Glory Stone Co. Ltd. with amount of \$1.3 million and to individual were resolved by the Board of Directors on March 20, 2020.

HannsTouch Solution Incorporated
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
December 31, 2020

Table 2

EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Ending Balance				Note
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value (Note)	
HannsTouch Solution Incorporated	Stock							
	KHAM INC.	None	Financial assets at fair value through profit or loss	4	\$ 200	0.01%	\$ 200	
	YH Bio Co., Ltd.	None	"	6,973	44,229	3.40%	44,229	
	VITA GENOMICS, INC.	None	"	156	1,432	0.26%	1,432	
	Touch Cloud Inc.	None	"	250	386	3.42%	386	
	Hannstar Display Corp.	Other related parties	Financial assets at fair value through other comprehensive income	15,744	193,411	0.57%	193,411	
					<u>\$ 239,658</u>			
Golden Apple Investment Corporation	Stock							
	Chaiin Hotel Co., Ltd.	None	Financial assets at fair value through profit or loss	2,100	\$ 9,024	19.00%	\$ 9,024	

Note: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value;
Fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

HannsTouch Solution Incorporated
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
Year ended December 31, 2020

Table 3

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Real estate disposed by	Real estate	Transaction date or date of the event (Note 3)		Book value	Disposal amount	Status of collection of proceeds	Gains (losses) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
		Date of acquisition										
The Company	1F to 3F of the plant in Tainan Science Park	November 2020	May 1, 2012~October 31, 2018	\$ 2,575,574	\$ 2,770,000	Perform the agreement by both parties	Note 4	Hannstar Display Corp.	Relationship with the counterparty	Considering the efficiency of assets usage and activating assets	Negotiated based on appraisal report and approved by the Board of Directors	

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4: The amount of expected income from disposal is about \$194,426. Actual income from disposal will be net of related expenses and will not be recorded until the transaction is completed.

HannsTouch Solution Incorporated
Information on investees
Year ended December 31, 2020

Table 4

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net income of investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020		Note
				Balance as at December 31, 2020	Balance as at December 31, 2019	No. of shares (in thousands)	Ownership (%)	Book value				
HannsTouch Solution Incorporated	Richest Investment Ltd.	Cayman Islands	Investment	\$ 148,434	\$ 148,434	4,500	100.00	\$ -	\$ -	\$ -	Note 1	
	Golden Apple Investment Corporation	Taiwan	Investment	150,000	150,000	15,000	100.00	134,684	(15,679)	(15,679)	"	
	Glory Stone Co., Ltd.	Taiwan	Hotel business	220,000	220,000	22,000	42.31	214,450	16,888	20,885	"	

Note 1: The Company's subsidiary.

HannsTouch Solution Incorporated
Information on investments in Mainland China
Year ended December 31, 2020

Table 5

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 3)	Book value of investments in Mainland China as of December 31, 2020 (Note 3)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Note
					Remitted to Mainland China	Remitted back to Taiwan							
NanJin GuanXin Co. Ltd.	Development and production of PMMA, light guide plate and related components	\$ 469,950	Note 2	\$ 148,434	\$ -	\$ -	\$ 148,434	\$ -	31.12	\$ -	\$ -	\$ -	
				Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA							
Company name				\$	1,789,949	\$	1,721,665	\$	5,826,413				

Note 1: Translated from historical exchange rate.

Note 2: Reinvested through Richest Investment Ltd.

Note 3: In 2013, the Company's investment in NanJin GuanXin Co. Ltd. has been reduced to \$0.

Note 4: NTD amount was translated from historical exchange rate of actual remittance.

HannsTouch Solution Incorporated

Major shareholders information

December 31, 2020

Table 6

Name of major shareholders	Shares	
	Name of shares held (in thousands)	Ownership (%)
Hannstar Display Corp.	214,639	26.60%
Huali Investment Corp.	59,440	7.36%

HannsTouch Solution Incorporated

Person-in-charge: WeiHsin Ma