Stock Code: 3533

Lotes Co., Ltd.

Parent Company Only Financial Statement and Independent Auditor's Report

2020 & 2019

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

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Table of Contents

Independent Auditor's Report

To the Board of Directors, Lotes Co., Ltd.:

Audit opinion

We have audited the Statement of Financial Position of Lotes Co., Ltd. (hereinafter referred to as Lotes) as of December 31, 2020 and 2019, the Statement of Comprehensive Income as of January 1 to December 31, 2020 and 2019 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Individual Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above individual financial statements present fairly, in all material respects, of the financial status of December 31, 2020 and 2019 in Lotes and the financial performance and consolidated cash flow of January 1 to December 31, 2020 and 2019 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of the audit opinions

The audit of the parent company only financial statements for fiscal year 2020 was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS); The audit of the parent company only financial statements for fiscal year 2019 was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, CHIN-KUAN-CHENG-SHEN-TZU No. 1090360805 Letter and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the parent company only financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from Lotes as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

Key audit matters

Key audit matters refer to the most important matters on the audits to Lotes's parent company only financial statements of fiscal year 2020 based on the professional judgment of our accountants. The matters have been responded on the whole audited parent company only financial statements and during the process of the expression of the audit opinions. There, our accountants will not express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

I. Recognition of income

Please refer to Note 4 (15) to the parent company only financial statements for the accounting policy in terms of income recognition. Please refer to Note 6 (11) to the parent company only financial statements for the refund liability. Please refer to Note 6 (18) to the parent company only financial statements for details about income.

Description of the key audit matters:

The operating income is the most critical factor when determining the operational performance of Lotes Co., Ltd. Users of the statements are cautiously concerned about the performance of the operating income. In response to the market conditions and business needs, discounts were provided for parts of the sales of goods agreed with the customers. Based on the agreements with the customers, the management would estimate the refund liability and include it as a deduction of operating income. Thus, the income recognition evaluation is one of the fundamental evaluation items for accountants in the execution of financial report audit for Lotes Co., Ltd.

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the relevant control procedures and methods in the estimation of refund liabilities in terms of the sales procedure and the effectiveness of the design and execution of the control procedure. Regarding the sampling testing for sales close to the balance sheet date, external certification documents were reviewed to assess the adequacy of the income recognition timings. The management's method to estimate and list refund liabilities were also obtained to assess whether the evaluation is based on the agreed conditions with customers. The adequacy of the refund liability estimate was analyzed with the actual situation afterward.

II. Evaluation of inventory

Please refer to Note 4 (7) for the accounting policy of inventory evaluation. Please refer to Note 5 (1) in the parent company only financial statements for the accounting estimates and assumed uncertainties of the inventory evaluation. Please refer to Note 6 (4) in the parent company only financial statements for the information on the losses from the falling price of inventory.

Description of the key audit matters:

Due to the impacts of rapid changes in the market demand and the development of production technology, the existing products are at risk to become outdated inventory or non-compliant with market demand. Parts of the inventory may become obsolete or have the market prices dropped. Thus, the inventory evaluation is one of the fundamental evaluation items for the accountants in the execution of financial report audit for Lotes Co., Ltd.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the basis and methods used by the management to assess the net realizable value of inventory. Review and audit were conducted in terms of the data used by the management as the basis and to estimate the net realizable value, and an evaluation was conducted on the estimated sales price to the latest sales record by sampling. To evaluate the adequacy of the drop in prices, the adequacy of the inventory aging report was checked, and the changes in the inventory aging of each period were analyzed.

Responsibility from management level and governing unit towards the parent company only financial statements

Management level's responsibility is to prepare the parent company only financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the parent company only financial statements, the responsibility of management level also includes evaluating Lotes's capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate Lotes or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including supervisors) at Lotes is responsible for supervising the process of financial reports.

Responsibility of accountants' audit on the parent company only financial statements

The purpose of the parent company only financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole parent company only financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it will not be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the parent company only financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the parent company only financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in Lotes.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting Lotes's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of parent company only financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause Lotes not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the parent company only financial statements (including relevant notes) as well as whether the parent company only financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the investee companies accounted for using equity method as well as express opinions towards the parent company only financial statements. We are in charge of the directing, supervision and execution on the audit cases as well as concluding audit opinions towards the parent company only financial statements of Lotes.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing unit that the personnel of the firm—under which our CPAs are working—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on Lotes's parent company only financial statements for fiscal year 2020 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs:

Competent Authority of Securities Approval Certificate No.	:	CHIN-KUAN-CHENG-SHEN-TZU No. 1000011652 (88) TAI-TSAI-CHENG (VI) No. 18311

March 24, 2021

Lotes Co., Ltd.

Statement of Financial Position

Dec. 31, 2020 and 2019

Unit: NT$ thousands

Code	Assets	Dec. 31, 2020 Amount	%	Dec. 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1) and (21))	$ 497,302	3	842,522	6
1110	Financial assets measured at FVTPL – current (Note 6 (2) and (21))	2,080	-	-	-
1150	Net notes receivable (Note 6 (3) and (21))	2,485	-	1,675	-
1170	Net accounts receivable (Note 6 (3) and (21))	4,304,076	26	3,896,815	27
1181	Accounts receivable－related parties (Note 6 (3), (21) and Note 7)	13,012	-	15,129	-
1200	Other accounts receivable (Note 6 (3) and (21))	19,702	-	35,520	-
1210	Other accounts receivable－related parties (Note 6 (3), (21) and Note 7)	90,161	1	89,781	1
130X	Net inventory (Note 6 (4))	710,477	4	591,088	4
1410	Advance payment	4,550	-	3,640	-
		5,643,845	34	5,476,170	38
	Non-current assets:				
1550	Investments accounted for using the equity method (Note 6 (4) and 13)	10,225,811	63	8,873,276	60
1600	Property, plant and equipment (Note 6 (6) and 8)	58,276	-	63,428	-
1755	Right-of-use assets (Note 6 (7))	-	-	59	-
1760	Net worth of investment property (Note 6 (8))	299,927	2	283,002	2
1780	Intangible assets (Note 6 (9))	97,583	1	50,937	-
1840	Deferred tax assets (Note 6 (15))	63,572	-	68,587	-
1900	Other non-current assets	6,027	-	15,462	-
		10,751,196	66	9,354,751	62
	Total of assets	$ 16,395,041	100	14,830,921	100

Code	Liabilities and equity	Dec. 31, 2020 Amount	%	Dec. 31, 2019 Amount	%
	Current liabilities:				
2130	Contract liabilities - current (Note 6 (18))	21,392	-	14,998	-
2150	Notes payable (Note 6 (21))	2,712	-	18,934	-
2170	Accounts payable (Note 6 (21))	11,421	-	14,499	-
2180	Accounts payable - related parties (Note 6 (21) and 7)	2,034,411	12	2,264,397	15
2200	Other payables (Note 6 (21))	299,122	2	245,547	2
2220	Other payables - related parties (Note 6 (21) and 7)	2,092	-	5,838	-
2230	Tax liabilities (Note 6 (15))	305,058	2	244,220	2
2280	Lease liabilities - current (Note 6 (10), (21) and (24))	-	-	59	-
2365	Refund liabilities - current (Note 6 (11))	161,767	1	157,256	1
2300	Other current liabilities	7,866	-	7,175	-
		2,845,841	17	2,972,923	20
	Non-current liabilities:				
2550	Provisions - non-current (Note 6 (12))	49,258	-	41,729	-
2600	Other non-current liabilities	744	-	943	-
		50,002	-	42,672	-
	Total of liabilities	2,895,843	17	3,015,595	20
	Equity to the owner of parent company:				
3110	Share capital for ordinary shares (Note 6 (16))	1,034,779	6	1,034,779	7
3200	Capital reserves (Note 6 (16))	3,958,247	24	3,959,560	27
3300	Retained earnings (Note 6 (16))	9,101,144	56	7,471,519	50
3400	Other equity (Note 6 (16))	(594,972)	(3)	(650,532)	(4)
	Total of equity	13,499,198	83	11,815,326	80
	Total of liabilities and equity	$ 16,395,041	100	14,830,921	100

(Please read the Notes to the Parent Company Only Financial Statements.)

Chairperson: CHU, TE-HSIANG **Manager: HO, TE-YU** **Accounting manager: LIU, HSIN-HSIA**

Lotes Co., Ltd.

Statement of Comprehensive Income

>From Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019

Unit: NT$ thousands

		2020		2019	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (Note 6 (11), (18))**	$ 11,362,435	100	9,968,334	100
5000	**Operating cost (Note 6 (4), (14), 7 and 12)**	8,817,635	78	8,162,786	82
	Gross profit	2,544,800	22	1,805,548	18
	Operating expense (Note 6 (9), (10), (13), (14), (21), 7 and 12):				
6100	Promotion Expenses	312,675	3	278,034	3
6200	Administration Expenses	295,923	3	249,095	2
6300	R&D expenses	53,509	-	48,179	-
6450	Expected credit impairment profit/loss	(1,310)	-	(542)	-
	Total operating expense	660,797	6	574,766	5
	Net operating profit	1,884,003	16	1,230,782	13
	Non-operating income/expenses (Note 6 (19) and 7):				
7100	Interest income	10,165	-	14,173	-
7010	Other income	62,514	1	36,925	1
7020	Other gains and/or losses	(111,250)	(1)	(72,584)	(1)
7050	Financial costs	(1,420)	-	(592)	-
7055	Profit (loss) from expected credit loss	1,317	-	(2,407)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method (Note 6 (5) and 13)	1,294,043	11	1,151,326	12
	Total of non-operating income and expenses	1,255,369	11	1,126,841	12
	Net profit before tax from continuing operations	3,139,372	27	2,357,623	25
7950	**Less: Income tax expenses (Note 6 (15))**	407,011	4	281,580	3
	Net profit	2,732,361	23	2,076,043	22
8300	**Other comprehensive gain/loss:**				
8310	**Items which were not reclassified into profit or loss**				
8311	Remeasurement of defined benefit plans	(7,598)	-	(1,148)	-
8330	Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items which were not reclassified into profit or loss	403	-	(16,103)	-
8349	**Less:** Income tax related to items which were not reclassified into profit or loss	1,520	-	230	-
	Total of items which were not reclassified into profit or loss	(5,675)	-	(17,021)	-
8360	**Potential items which might be reclassified into profit or loss**				
8361	Exchange difference between foreign operating office’s statement	45,017	-	(317,409)	(3)
8399	**Less:** income tax related to items which might be reclassified	-	-	-	-
	Total of items which might be reclassified into profit or loss	45,017	-	(317,409)	(3)
8300	**Other comprehensive income (net value after tax)**	39,342	-	(334,430)	(3)
	Total comprehensive income	**$ 2,771,703**	**23**	**1,741,613**	**19**
	Basic earnings per share (Unit: NT$) (Note 6 (17))	**$**	**26.41**		**20.11**
	Diluted earnings per share (Unit: NT$) (Note 6 (17))	**$**	**26.34**		**20.06**

(Please read the Notes to the Parent Company Only Financial Statements.)

Chairperson: CHU, TE-HSIANG **Manager: HO, TE-YU** **Accounting manager: LIU, HSIN-HSIA**

Lotes Co., Ltd. and Its Subsidiaries

Statement of Change in Equity

>From Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019

Unit: NT$ thousands

	Share capital			Retained earnings			Other equity items		
	Share capital for ordinary shares	Share capital collected in advance	Capital reserve	Legal reserve	Special reserve	Undistributed earnings	Exchange difference between foreign operating office's statement	Unrealized gain or loss on financial assets measured at FVTOCI	Total equity
Balance on Jan. 1, 2019	$ 934,779	125,638	2,466,109	931,082	255,202	5,110,368	(314,561)	(2,459)	9,506,158
Net profit	-	-	-	-	-	2,076,043	-	-	2,076,043
Other comprehensive income	-	-	-	-	-	(918)	(317,409)	(16,103)	(334,430)
Total of comprehensive income	-	-	-	-	-	2,075,125	(317,409)	(16,103)	1,741,613
Appropriation and distribution of earnings:									
Legal reserve set aside	-	-	-	160,857	-	(160,857)	-	-	-
Special reserve set aside	-	-	-	-	61,818	(61,818)	-	-	-
Cash dividends for ordinary shares	-	-	-	-	-	(900,258)	-	-	(900,258)
Other changes in capital reserve:									
Changes in subsidiaries, associates and joint ventures accounted for using equity method	-	-	193,451	-	-	-	-	-	193,451
Cash capital increase	100,000	(125,638)	1,300,000	-	-	-	-	-	1,274,362
Balance on Dec. 31, 2019	1,034,779	-	3,959,560	1,091,939	317,020	6,062,560	(631,970)	(18,562)	11,815,326
Net profit	-	-	-	-	-	2,732,361	-	-	2,732,361
Other comprehensive income	-	-	-	-	-	(6,078)	45,017	403	39,342
Total of comprehensive income	-	-	-	-	-	2,726,283	45,017	403	2,771,703
Appropriation and distribution of earnings:									
Legal reserve set aside	-	-	-	207,604	-	(207,604)	-	-	-
Special reserve set aside	-	-	-	-	333,513	(333,513)	-	-	-
Cash dividends for ordinary shares	-	-	-	-	-	(1,086,518)	-	-	(1,086,518)
Other changes in capital reserve:									
Changes in subsidiaries, associates and joint ventures accounted for using equity method	-	-	(1,313)	-	-	-	-	-	(1,313)
Disposal of the equity instruments measured at FVTOCI	-	-	-	-	-	(10,140)	-	10,140	-
Balance on Dec. 31, 2020	$ 1,034,779	-	3,958,247	1,299,543	650,533	7,151,068	(586,953)	(8,019)	13,499,198

(Please read the Notes to the Parent Company Only Financial Statements.)

Chairperson: CHU, TE-HSIANG **Manager: HO, TE-YU** **Accounting manager: LIU, HSIN-HSIA**

Lotes Co., Ltd.

Statement of Cash Flows

From Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019

Unit: NT$ thousands

		2020	2019
Cash flows from operating activities:			
Net profit before tax	$	3,139,372	2,357,623
Items of adjustment:			
Items of income and expenses			
Depreciation expense		7,274	4,102
Amortization expense		11,778	1,048
Expected credit loss		(2,627)	1,865
Interest expense		1,420	592
Interest income		(10,165)	(14,173)
Share of the profit from subsidiaries, associates and joint ventures accounted for using equity method		(1,294,043)	(1,151,326)
Net loss (gain) on financial assets (liabilities) measured at FVTPL		(2,080)	-
Losses from the price drop and obsolescence of inventory		29,666	1,193
Profit from the disposal and scaping of property, plant and equipment		(136)	(17)
Total of the items of income and expenses		(1,258,913)	(1,156,716)
Change in assets/liabilities related to operating activities:			
Net change in the assets related to operating activities:			
Decrease (increase) in notes receivable		(810)	468
Increase in accounts receivable		(403,834)	(375,345)
Decrease (increase) in other accounts receivable		17,123	(7,399)
Increase in inventory		(149,055)	(77,315)
Increase in payments in advance		(910)	5,724
Total net change in the assets related to operating activities		(537,486)	(453,867)
Net change in the liabilities related to operating activities:			
Increase in contract liabilities		6,394	11,076
Decrease in notes payable		(16,222)	(26,337)
Increase (decrease) in accounts payable		(233,064)	321,375
Increase in other accounts payable		49,829	35,535
Increase (decrease) in provisions		(69)	59
Decrease in other current liabilities		691	716
Increase in refund liabilities		4,511	70,373
Increase in other non-current liabilities		(199)	(70)
Total net change in the liabilities related to operating activities		(188,129)	412,727
Total net change in the assets and liabilities related to operating activities		(725,615)	(41,140)
Total of the adjustment items		(1,984,528)	(1,197,856)
Cash inflow generated from operating activities		1,154,844	1,159,767
Interests received		10,763	13,848
Dividends received		(1,420)	(1,125)
Interests paid		(339,638)	(211,848)
Income tax paid		824,549	960,642
Cash flows in investing activities:			
Acquisition of investment accounted for using equity method		(14,385)	-
Acquisition of property, plant and equipment		(1,181)	(15,581)
Disposal of property, plant and equipment		252	427
Increase in other accounts receivable		(966)	(85,950)
Increase in intangible assets		(58,424)	(21,357)
Acquisition of investment property		(17,923)	-
Decrease in other non-current assets		9,435	(9,435)
Net cash outflow from investment activities		(83,192)	(131,896)
Cash flows in financing activities:			
Increase in short-term loans		-	(720,000)
Repayment of lease principal		(59)	(59)
Issuance of cash dividends		(1,086,518)	(900,258)
Capital increase by cash		-	1,274,362
Net cash outflow from financing activities		(1,086,577)	(345,955)
Increase (decrease) in cash and cash equivalents		(345,220)	482,791
Beginning balance of cash and cash equivalents		842,522	359,731
Ending balance of cash and cash equivalents	$	497,302	842,522

(Please read the Notes to the Parent Company Only Financial Statements.)

Chairperson: CHU, TE-HSIANG **Manager: HO, TE-YU** **Accounting manager: LIU, HSIN-HSIA**

Lotes Co., Ltd.
Notes to the Parent Company Only Financial Statements
For the Years Ended December 31, 2020 and 2019
(Except as otherwise indicated, the unit for all amounts in this document is NT$1,000))

i. Company History

Lotes Co., Ltd. (hereinafter referred to as the "Company") was incorporated on Aug. 23, 1986 in accordance with the provisions of the Company Law and was approved for registration with its registered office at No.15, Wuxun Street, Anle District, Keelung City. The Company (hereinafter referred to as the "Company") are principally engaged in the sale and purchase of various hardware parts and components, the manufacturing and processing of various terminals and their connectors, the import and export business in connection with the preceding item and the agency of the preceding item in connection with the tender quotation and distribution of products of domestic and foreign manufacturers. Please refer to Note 14 for further details.

ii. The date when the financial reports were authorized for issuance and the process involved

The Parent Company Only Financial Statement was approved and released by the Board of Directors on March 24, 2021.

iii. Application of new issuing & revised standards and interpretation

(i) Influence of the Adoption of New and Revised Standards and Integrations Approved by the Financial Supervisory Commission

Since Jan. 1, 2019, the Company has adopted the amended International Financial Report Standards, and this did not cause material impact on the parent company only financial statements:

·Amendments to IFRS 3, "Definition of a Business".

·Amendments to IFRS 9, IAS 39 and IFRS 7, "Changes in Interest Rate Indicators".

·Amendments to IAS 1 and IAS 8, "Definition of Significant".

·Amendments to IFRS 16, "Rent Deductions Related to Emerging Coronavirus Pneumonia".

(ii) Effects of new and revised standards and interpretation has been approved by FSC but not yet being adopted

The Company assesses that the application of the following newly amended IFRSs effective January 1, 2021 will not have a significant impact on individual financial statements.

·Amendments to IFRS 4 "Temporary Exemption from the Extension of IFRS 9

·Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Changes in Interest Rate Indicators - Phase 2

(iii) New and revised standards and interpretations not yet recognized by the FSC

The following table sets out the standards and interpretations that have been issued and revised by the International Accounting Standards Board (hereinafter referred to as the Board) but not yet endorsed by the FSC, and they may be material to the Company.

New Release/Amendment of Guidelines	**Major Amendment**	**Effective date upon promulgation by the IASB**
Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent	The amendments are intended to improve consistency in the application of the standard to assist enterprises in determining whether debt or other liabilities with an indefinite maturity date should be classified as current (due or likely to be due within one year) or non-current on the balance sheet. The amendments also clarify the requirements for classifying debt that an entity may be able to settle by conversion to equity.	2023.1.1

The Company is continuously evaluating the impact of the above criteria and explanations on the Company's financial position and results of operations and will disclose the related impact when the evaluation is completed.

The Company does not expect the following other newly issued and amended standards, which have not yet been endorsed, to have a material impact on the parent company only financial statements.

·Amendments to IFRS 10 and IAS 28, "Disposal of or Contribution to Assets between an Investor and its Affiliate or Joint Venture".

·Amendments to IFRS 17, "Insurance Contracts" and IFRS 17

·Amendments to IAS 16, "Property, Plant and Equipment - Price before reaching Intended Use".

·Amendments to IAS 37, "Loss-making Contracts - Costs of Fulfillment of Contracts".

·Annual Improvements to IFRSs for the 2018-2020 Cycle

·Amendments to IFRS 3, "References to Conceptual Framework".

·Amendments to IAS 1, "Disclosure of Accounting Policies".

·Amendments to IAS 8, "Definition of Accounting Estimates".

iv. Summary and explanation of material accounting policies

The major accounting policies adopted in this Financial Statement are summarized as follows. Unless otherwise noted, the following accounting policies have been applicable for all presentation period of the Individual Financial Statement.

(i) Compliance statement

The Individual Financial Statement was compiled in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

(ii) Compiling Basis

1. Measurement Foundation

Except the major items in the following balance sheet, the Individual Financial Statement was compiled based on the historical costs:

(1) Financial assets at fair value through profit or loss measured with fair value.

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

(3) Liabilities for cash-settled share-based benefit agreements that are measured at fair value.

(4) Net defined benefit liability (or asset) is measured according to the fair value of the retirement fund assets deducting present value of the defined benefit obligation and the ceiling influence value listed in Footnotes IV (14).

2. Functional Currency and Presentation Currency

Each party of the Company takes the currency of major economic environment where its operation is located as its functional currency. The Individual Financial Statement is presented in the functional currency of the Company, TWD. All of the financial information expressed herein in TWD is of one thousand per unit.

(iii) Foreign Currency

1. Foreign Currency Trading

Foreign currency is converted into functional currency according to exchange rate on the date of transaction. At the end of each subsequent reporting period (the "Reporting Date"), foreign currency monetary items are translated into functional currency at the exchange rate prevailing on that date. Non-monetary items measured at fair value in foreign currencies are translated into functional currencies using the exchange rates prevailing at the date of fair value measurement, while non-monetary items measured at historical cost in foreign currencies are translated at the exchange rates prevailing at the dates of the transactions.

The foreign currency exchange difference resulting from the conversion is recognized to be other comprehensive Income excepting for the following situations, otherwise, recognized to be gains and losses.

(1) Equity instruments designated as measured at fair value through other comprehensive income.

(2) Financial liabilities designated as a net investment hedge for a foreign operating entity are within the effective range of the hedge; or

(3) Eligible cash flow hedges are within the effective range of the hedge.

2. Foreign Operating Organizations

The assets and liabilities of foreign operating organizations, including the business reputation and fair value adjustment during the acquisition, are converted to be TWD according to exchange rate on the report day; gains and losses are converted into TWD according to exchange rate in the current period, and the resultant conversion difference is recognized to be other comprehensive Income.

In case of the loss of control, joint control or material influences arising from the punishment on foreign operating organizations, the accumulated conversion differences related to the foreign operating organizations shall be fully reclassified as gains and losses. In case of subsidiary company of foreign operating organizations involved in the punishment, the related accumulated conversion differences shall be reclassified as non-controlling interests in proportion. In case of affiliated company or joint ventures of foreign operating organizations involved in some of the punishment, related accumulated conversion differences shall be fully reclassified as gains and losses in proportion.

As to the receivable and payable monetary items of foreign operating organizations, if without the repayment plan or the possibility of repayment in foreseeable future, the resultant gains and losses from foreign currency conversion shall be regarded as a part of net investments to the foreign operating organizations as recognized as other comprehensive income.

(iv) Standards for Classifying Current and Non-current Assets and Liabilities

Assets meeting one of the following conditions are recognized to be current assets, and other assets not belonging to current assets are recognized to be non-current assets:

1. Those that are expected to be realized during the normal operating period of the Company or intended to be sold or consumed.
2. Those held mainly for the purpose of transaction.
3. Those expected to be realized within 12 months after the balance sheet.
4. Cash or cash equivalents, but not including those used for exchange, liquidation of liabilities or those with other restrictions.

The liabilities meeting any one of the following conditions are current liabilities, and other liabilities not belonging to current liabilities are recognized to be non-current liabilities:

1. Those expected to be paid off during the normal operating period of the Company.
2. Those held mainly for the purpose of transaction.
3. Those expected to be paid off within 12 months after the balance sheet.
4. Those that shall not allow the Company to unconditionally extend the liquidation period to at least 12 months. Liabilities for liquidation arising from the issuing of equity instruments in accordance with the clauses chosen by the other party of transaction will not affect their classification.

(v) Cash or Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are the investments which are allowed to be converted into normed cash with few value change risks and short-term high flowability. Certificate of deposit which satisfy the foregoing definition and with the holding purpose of meeting the short-term cash pledges rather than investment or others shall be recognized as cash equivalents.

(vi) Financial Instrument

The accounts receivable are recognized at the time of generation. All other financial assets and financial liabilities were originally recognized when the company became a party to the terms of the financial instrument agreement. Financial assets that are not measured at fair value through profit or loss (except accounts receivable, which do not contain a significant financial component) or financial liabilities are measured at fair value plus the transaction cost directly attributable to the acquisition or issue. Accounts receivable, which do not contain significant financial components, are originally measured at transaction prices.

1. Financial Assets

The purchase or sale of financial assets by a conventional trader, the company shall treat all purchases and sales of financial assets classified in the same manner in accordance with the transaction date or the settlement date.

At the time of the original recognition, financial assets were classified as: financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, equity instrument investments measured at fair value through other comprehensive income, or financial assets measured at fair value through gains and losses.

The company will only change its business model for managing financial assets from the first day of the next reporting period to classify all affected financial assets.

(1) Financial assets as measured by their amortized cost

Financial assets are measured at post-amortized cost when they simultaneously meet the following conditions and are not specified to be measured at fair value through profit or loss:

· The financial asset is held under a business model for the purpose of collecting contractual cash flow.

· The cash flow generated by the terms of the contract on the financial asset at the specified date is solely for the payment of the principal and the interest on the outstanding principal amount.

The cumulative amortization of such assets is subsequently calculated by the effective interest method plus or minus the original amount recognized, and the amortized cost of any loss allowance is adjusted. Interest income, foreign exchange gains and losses and impairment losses are recognized as gains and losses. When derecognized, the profit or loss shall be included in the profit or loss.

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

When the debt instrument investment simultaneously meets the following conditions and is not specified to be measured at fair value through profit and loss, it is measured at fair value through other consolidated profit and loss:

· The financial asset is held under a business model for the purpose of collecting contractual cash flow and selling.

· The cash flow generated by the terms of the contract on the financial asset at the specified date is solely for the payment of the principal and the interest on the outstanding principal amount.

The company may, at the time of its original recognition, irrevocably choose to report the subsequent changes in the fair value of its non-tradable equity instrument investments to other consolidated profits and losses. The foregoing selection is made on a item-by-item tool basis.

Debt instrument investors are measured by fair value afterwards. Interest income, foreign exchange gains and losses and impairment losses calculated by the effective interest method are recognized as gains and losses, while the remaining net gains or losses are recognized as other comprehensive income. When discounting, the accumulated amount of other comprehensive income shall be reclassified into comprehensive income.

Equity instrument investors are measured by fair value afterwards. Dividend income (unless it clearly represents the recovery of a portion of the investment cost) is recognized as a profit or loss. The remaining net benefits or losses are recognized as other comprehensive income and are not reclassified into gains and losses.

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

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

Financial assets that are not measured at fair value at the above amortized cost or through other comprehensive income are measured at fair value through gains and losses, including derivative financial assets. The company may, at the time of its original recognition, irrevocably designate financial assets that meet the criteria of measuring at fair value according to the amortized cost or through other comprehensive income as financial assets measured at fair value through gains and losses in order to eliminate or substantially reduce improper accounting matching.

Such assets are subsequently measured at fair value and their net gains or losses (including any dividends and interest income) are recognized as gains or losses.

(4) Business model evaluation

The purpose of the company is to assess the business model of holding financial assets at a portfolio level, which best reflects the way of operation and management and the way of providing information to management. The following information is considered:

· The portfolio policies and objectives described and the operation of such policies. Including whether the management's strategy is to focus on earning contractual cash flow, maintaining a certain portfolio of interest rates, matching the duration of financial assets with the duration of the relevant liabilities or anticipated cash outflows, or achieving cash flow through the sale of financial assets.

· Performance of the business model and how the financial assets held under the business model are evaluated and reported to the principal managers of the business.

· Risks that affect the performance of the business model (and the financial assets held under the business model) and the manner in which such risks are managed.

· The frequency, amount and timeliness of previous sales of financial assets, the reasons for such sales and the expectation of future sales.

The transfer of a financial asset to a third party for the above business purposes that does not meet the exclusion criteria is not a sale as described above, consistent with the purpose for which the merged company continues to recognize the asset.

Financial assets held for trading and managed and evaluated for performance on a fair value basis are measured at fair value through profit and loss.

(5) Evaluate whether the cash flow of the contract is fully the interest on the payment of the principal and the amount of outstanding principal

For evaluation purposes, the principal is the fair value of the financial asset at the time of its original recognition, and the interest is made up of the following considerations: the time value of money, the credit risk associated with the amount of outstanding principal in circulation during a particular period, and other basic lending risks and costs and profit margins.

To evaluate whether the contract cash flow is fully interest on the principal and the outstanding principal amount, the company considers the terms of the financial instrument contract, including whether the financial asset contains a contract term that can change the point or amount of the cash flow of the contract, causing it to fail to meet this condition. In the evaluation, the consolidated company considers:

· Any contingencies that change the timeliness or amount of the cash flow of the contract;

· The terms of the coupon rate may be adjusted, including the nature of the variable rate;

· The nature of prepayment and extension; and

· Claims of the consolidated company are limited to cash flow terms derived from specific assets (e.g. non-recourse nature).

(6) Impairment of financial assets

For the financial assets measured at the amortized cost after (including cash and about when cash, notes receivable, accounts receivable, other receivables, refundable deposit, and other financial assets, etc.), through the other comprehensive income measured at fair value, the debt instruments of investment assets and contract of expected loss, the company recognizes the allowance for credit losses.

The following financial assets are measured against losses according to the expected credit loss amount of 12 months, and the rest are measured according to the expected credit loss amount of the existing period:

· Determine that the credit risk of the debt securities at the reporting date is low; and

· The credit risk of other debt securities and bank deposits (i.e. the risk of default during the expected life of financial instruments) has not increased significantly since the original recognition.

The loss allowance for accounts receivable and contract assets is measured in terms of the expected credit loss during the period of existence.

In determining whether credit risk has increased significantly since the initial recognition, the consolidated company considers reasonable and verifiable information (available at no excessive cost or investment), including qualitative and quantitative information, as well as analysis based on the company's historical experiences, credit assessment and forward-looking information.

The consolidated company shall be deemed to be in default of the financial asset if the debtor of the contract payment is unlikely to meet his credit obligations to make the full payment to the consolidated company.

Expected credit loss during the life of a financial instrument refers to the expected credit loss arising from all possible defaults during the life of the financial instrument.

Twelve-month expected credit loss refers to the expected credit loss arising from the possible default of the financial instrument within twelve months after the date of the report (or a shorter period, if the expected duration of the financial instrument is shorter than twelve months).

The longest contract period during which the expected credit loss is measured is the longest contract period during which the company is exposed to credit risk.

The expected credit loss is the probabilistic weighted estimate of the credit loss during the expected life of the financial instrument. Credit losses are measured in terms of the present value of all cash shortfalls, the difference between the cash flows that the company can collect under the contract and the cash flows that the company expects to collect. The expected credit loss is discounted at the effective interest rate of the financial asset.

On each reporting date, the company evaluates whether there is a credit impairment in the debt securities on which financial assets are measured at after-amortized cost and on which fair value is measured through other comprehensive income. When one or more events have occurred that adversely affect the estimated future cash flow of a financial asset, the financial asset has suffered a credit impairment. Evidence of credit impairment of financial assets includes observable information relating to:

· Major financial difficulties of the borrower or issuer;

· Default, such as delay or delay beyond a specified period;

· For economic or contractual reasons related to the borrower's financial difficulties, the merged company gives the borrower concessions that the borrower would not have considered;

· The borrower is likely to file for bankruptcy or other financial restructuring; or

· The active market for the financial asset disappears due to financial difficulties.

The loss allowance for a financial asset measured at its amortized cost is deducted from the carrying amount of the asset. The allowance for losses on debt instrument investments is measured at fair value through other comprehensive income. It is adjusted and recognized as other comprehensive income (without reducing the carrying amount of the assets).

When the company cannot reasonably expect to recover the financial assets as a whole or in part, it will directly reduce the total book amount of its financial assets. For the company, the company shall analyze the date and amount of the write-off on the basis of whether it is reasonable to expect recovery. The company does not expect a significant reversal of the write-off. However, financial assets that have been written off may still be enforced to comply with the procedures of the consolidated company for recovering overdue amounts.

(7) Financial assets de-recognition

When the Company terminates the contractual rights from the cash flow of such assets or has transferred the financial assets and almost all risks and returns of the asset ownership have been transferred to other enterprises, the financial assets shall be de-recognized.

Transactions in which the Company enters into transfers of financial assets that retain all or substantially all of the risks and rewards of ownership of the transferred assets continue to be recognized on the balance sheet.

2. Financial liabilities

Financial liabilities are classified as amortized costs or measured at fair value through profit or loss. Financial liabilities which are held for trading, derivatives or specified at the time of their original recognition are classified as being measured at fair value through profit or loss. Financial liabilities, measured at fair value through profit and loss, are measured at fair value, and the associated net benefits and losses, including any interest expense, are recognized as profit and loss.

The effective subsequent interest method for other financial liabilities is measured at the amortized cost. Interest expenses and exchange gains and losses are recognized as gains and losses. Any benefit or loss at the time of discounting is also considered as profit or loss.

(1) De-recognition of Financial Liabilities

The Company derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled or matured. When the terms of a financial liability are modified and the cash flows of the modified liability differ materially, the original financial liability is derecognized and a new financial liability is recognized at fair value based on the modified terms.

When de-recognizing financial liabilities, the difference between carrying amount and the sum of paid or payable considerations (including any transferred non-cash capital or assumed liabilities) shall be recognized as gains and losses.

(2) Offset between Financial Assets and Liabilities

Financial assets and financial liabilities can be offset with each other and represented on the balance sheet with net value only when the Company has legal rights to offset and has the intention to deliver with net value as well as realize capital and liquidate the liabilities.

3. Derivative Financial Instruments

The Company holds derivative financial instruments to avoid foreign currency and interest rate risks. Embedded derivatives are separated from the main contract when specific conditions are met and the main contract is not a financial asset.

Derivative instruments are initially recognized at fair value and subsequently measured at fair value, and the resulting gain or loss is recognized directly in profit or loss.

(vii) Inventory

Inventory shall be measured with the lower of the costs and net realizable value. The costs include the acquisition, production and processing costs enabling them to arrive at the available places and status and other costs, which are calculated according to the standard cost method, and priced at cost transferring according to weighted mean method. The costs of the inventory of finished products and products in process include the manufacturing costs amortized based on normal production capacity according to proper percentage.

Net realizable value refers to the estimated prices under normal operation deducting estimated costs to be needed for estimated completion and estimated costs to be needed for completing selling.

(viii) Investing subsidiary

In preparing individual financial statements, the Company applies the equity method to investees over which it has control. Under the equity method, the share of current profit or loss and other comprehensive income of the individual financial report is the same as the share of current profit or loss and other comprehensive income attributable to the owners of the parent in the financial statements prepared on a consolidated basis, and the interest of the owners of the individual financial report is the same as the interest attributable to the owners of the parent in the financial statements prepared on a consolidated basis.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are treated as equity transactions with owners.

(ix) Property, Plant and Equipment

1. Recognition and Measurement

Items of property, plant and equipment are measured at cost, including capitalized borrowing costs, less accumulated depreciation and any accumulated impairment.

Significant components of property, plant and equipment are treated as separate items (major components) when they have different life cycles.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent Costs

Subsequent expenses are capitalized only when it is probable that future economic benefits will flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of the asset less its residual value and is recognized in profit or loss using the straight-line method over the estimated useful life of each component.

The land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

(1) Buildings	20-40 years
(2) Machinery	2-10 years
(3) Other equipment	2-10 years

The Company reviews the method of depreciation, durability and residual value at each reporting date and makes appropriate adjustment as necessary.

4. Reclassification to investment real estate

When real property for own use is reclassified to investment property, the real property is reclassified to investment property based on its carrying amount at the time of change of use.

(x) Investment real estate

Investment real estate means real property held for the purpose of earning rent or asset appreciation, or both, rather than for the purpose of production, provision of goods or services, or for administrative purposes. Investment real estate is originally measured by cost, and later measured by cost minus accumulated depreciation and accumulated impairment. The depreciation method, durable life and residual value shall be treated in accordance with the provisions of real estate, plant and equipment.

The disposal interest or loss of the investment real estate (calculated at the difference between the net disposal price and the account amount of the project) shall be recognized as the profit or loss.

The rental income of investment real estate is recognized as other income in the straight-line method during the lease term. The incentive to lease is recognized as part of the rental income during the lease term.

(xi) Leasing

1. Judgment of lease

The company shall assess whether the contract is a lease or includes a lease on the date of formation of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract shall be a lease or includes a lease. To assess whether the contract is a lease, the company evaluates the following items:

(1) The contract relates to the use of an identified asset whose entity may distinguish or represent all of the actual production capacity if it is explicitly specified in the contract or by implication specified at the time of availability. If the supplier has a material right to replace the asset, the asset is not recognized; and

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

(3) acquire the right to dominate the use of the identified assets in one of the following circumstances:

· The consolidated company has the right to dominate the use and purpose of the identified assets throughout the use period; or

· Decisions relating to the manner and purpose of use of the asset are made in advance, and:

- The consolidated company has the right to operate the assets throughout the use period and the supplier has no right to change the instructions for such operations; or

- the way in which the assets are designed by the consolidated company has determined in advance how and for what purpose they will be used throughout their lifetime.

2.The lessee

The company recognize the right-of-use assets and lease liabilities on the beginning date of the lease. Right-of-use assets are originally measured in terms of cost, which includes the original measured amount of lease liabilities, adjusts the lease beginning date or before payment of any rent payment, and the initial direct costs, and applied to removing the asset and restoring its location or the estimated cost of the underlying assets. It minuses the charge of any lease incentives at the same time.

Depreciation of right-of-use assets following the commencement of the lease shall be carried out by the straight-line method at the end of the useful life of right-of-use assets or earlier at the end of the lease term. In addition, the company will periodically evaluate whether there is any loss of right-of-use assets and deal with any loss that has occurred, and adjust the right-of-use assets in the case of lease liabilities.

Lease liabilities are defined as the present value of lease benefits not yet paid at lease commencement date. If the implied lease rate is easy to determine, the discount rate will be that rate, and if not, the incremental borrowing rate of the Company will be used. Generally speaking, the consolidated company adopts its incremental borrowing rate as the discount rate.

Lease benefits measured in Lease liabilities include:

(1) Fixed payments, including substantive fixed payments;

(2) Depending on the variation of a certain index or rate of rent payment, the index or rate on the commencement date of the lease shall be used as the original measurement;

(3) The guaranteed amount of salvage value expected to be paid; and

(4) The price at which the option to exercise the option to purchase or terminate the lease will be reasonably determined or the penalty to be paid.

Lease liabilities is then calculated using effective interest method, and the amount was measured when:

(1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;

(2) The guaranteed amount of the residual value expected to be paid has changed;

(3) The evaluation of the underlying asset purchase option has changed;

(4) The estimate of whether to exercise the option of extension or termination has changed, which leads to the change of the assessment of the lease period;

(5) Modification of the subject matter, scope or other terms of the lease.

Lease liabilities are remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchases, extensions or termination options, the book value of right-of-use assets should be adjusted accordingly. When the book value of right-of-use assets is reduced to zero, the remaining re-measured amount is recognized in profit or loss.

For the tease modifications about the reduced coverage, the book amount of right-of-use assets will be reduced to reflect partial or total termination of Lease, and the difference between Lease assets and Lease assets will be included in the profit and loss.

The company will express the right-of-use assets and lease liabilities that do not conform to the definition of investment real estate in the form of single line items in the balance sheet.

3. The lessor

The transaction in which the company is a lessor shall be classified as a financial lease or an operating lease on the date of establishment of the lease, depending on whether or not the lease contract is transferred to almost all the risks and rewards attached to the ownership of the underlying asset. In the evaluation, the consolidated company shall consider certain indicators, including whether the lease term covers the principal part of the underlying asset's economic life.

If the company is a sublease lessor, it will handle the master lease and the sublease transaction respectively and evaluate the sublease transaction classification based on the right-of-use assets generated from the master lease. If the principal lease is a short-term lease and a recognition waiver is applicable, the sublease transaction shall be classified as an operating lease.

(xii) Intangible assets

1. Recognition and measurement

Computer software acquired by the Company is measured at cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

The subsequent expenditure can be capitalized only when they can increase the future economic benefits of relevant specific assets, and all of other expenditures are recognized as gains and losses when they occur, including the expenses for developing reputation and brand establishing.

3. Amortization

Amortization is calculated based on the cost of the asset less its estimated residual value and is recognized in profit or loss using the straight-line method over the estimated useful lives of the Intangible assets, from one to five years from the time the assets reach a ready-for-use condition.

The Company reviews the amortization method, useful life and residual value of Intangible assets at each reporting date and makes appropriate adjustments as necessary.

(xiii) Non-financial Asset Impairment

At each reporting date, the Company assesses whether there is any indication that the carrying amount of non-financial assets (other than inventories, deferred income tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated.

For the purpose of impairment testing, cash inflows that are largely independent of other individual assets or groups of assets are treated as the smallest identifiable group of assets.

The recoverable amount is the higher of the fair value less costs to dispose of the individual asset or cash-generating unit or its value in use. If the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized immediately in profit or loss and is reduced first by the carrying amount of goodwill amortized on the cash-generating unit and then by the carrying amount of each other asset in the unit in proportion to its carrying amount.

Non-financial assets other than goodwill are reversed only to the extent that they do not exceed the carrying amount (net of depreciation or amortization) that would have been determined had no impairment loss been recognized for the asset in prior years.

(xiv) Provisions

Provisions are recognized as present obligations due to past events that make it probable that the Company will need to expend economically efficient resources in the future to settle the obligation and the amount of the obligation can be reliably estimated.

The amount recognized in Provisions takes into account the risks and uncertainties of the obligation and is the best estimate of the payments required to settle the obligation at the end of the reporting period. If Provisions is measured at the estimated cash flows to settle this realistic obligation, the carrying amount is the present value of those cash flows.

(xv) Income Recognition

Revenue from customer contracts

Income is measured in consideration for the expected entitlement to transfer goods or services. The company recognizes revenue from the transfer of control of goods or services to the customer in order to meet its performance obligations.

The company manufactures electronic components and sells them to manufacturers in the electronics industry. The company recognizes revenue at the time of the transfer of control over the products. Control transfer of the product means that the product has been delivered to the customer and the customer can fully determine the sales channel and price of the product, and there is no failure to fulfill obligations that would affect the customer's acceptance of the product. Delivery occurs when the product is shipped to a specific location, the risk of obsolescence and loss has been transferred to the customer, the customer has accepted the product in accordance with the sales contract, the acceptance terms have expired, or the consolidated company has objective evidence that all acceptance conditions have been met.

The consolidated company recognizes revenue on the basis of the net amount of the estimated discount deducted from the contract price, the amount of which is estimated based on past experiences, and only to the extent that there is a high probability that no significant turnaround will occur. As of the date of the report, the sales will expect to pay the customer for the discount, which is refunded as refund liabilities. The average credit period of sales is one hundred twenty days to one hundred fifty days, which is consistent with the practice of the same trade, so no financing elements are included.

The company shall recognize accounts receivable at the time of delivery of the goods, as the consolidated company shall have the right to receive unconditional consideration at that time.

The time between the transfer of goods or services from all customer contracts to the customer and the time between the customer's payment for the goods or services is expected to be no more than one year, so the company does not adjust the time currency value of the transaction price.

(xvi) Employee Benefits

1. Defined Contribution Plan

The contribution obligation of the defined contribution pension plan is recognized as an expense in the period in which the employees render service to the Company.

2. Defined benefit plans

The Company's net obligation to a defined benefit plan is measured by discounting the present value of future benefits earned by the employee's current or prior period of service, less the fair value of the plan assets.

The defined benefit obligation is actuated annually by a qualified actuary using the projected unit benefit method. When the results of the calculation are probable to be favorable to the Company, an asset is recognized to the extent of the present value of any economic benefits that may be obtained by returning a contribution from the plan or reducing future contributions to the plan. Any minimum funding requirement is taken into account in calculating the present value of economic benefits.

The remeasurement of the net defined benefit obligation, including actuarial gains and losses, compensation for plan assets (excluding interest), and any change in the impact of asset limits (excluding interest) is recognized immediately in other comprehensive income and accumulated in retained earnings. The Company determines net interest expense (income) for net defined benefit liabilities (assets) using the net defined benefit liabilities (assets) and discount rate determined at the beginning of the annual reporting period. Net interest expense and other costs for defined benefit plans are recognized in profit or loss.

When a plan is revised or curtailed, changes in benefits related to prior period service costs or curtailment gains or losses are recognized immediately in profit or loss. The Company recognizes gain or loss on the settlement of defined benefit plans when settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as an expense when services are provided. If the Company has a present legal or constructive obligation to pay for services rendered by employees in the past and the obligation can be estimated reliably, the amount is recognized as a liability.

(xvii) Income Tax

Income taxes include current and deferred income tax asset. Except those related to enterprise consolidation and items directly recognized as equities or other comprehensive income, Current tax and deferred income tax asset shall be recognized as gains and losses.

Current taxes include expected payable income taxes or receivable tax rebates of the annual taxation (losses) calculated according to the legal tax rate or substantial legal tax rate on the report day, and any unappropriated retained earnings plus 10% income tax recognized as tax expense in the shareholders meeting resolution year calculated according to the adjustments to the payable income taxes in the previous year and the provisions of income tax laws.

Deferred income tax assets are measured and recognized according to the temporary difference between the carrying amount and taxation basis of assets and liabilities with financial report objectives. In case of any of the following situations, the temporary differences will not be recognized as deferred income tax assets:

1. Those do not belong to the assets or liabilities originally recognized in the transaction of enterprise consolidation, and not influencing accounting profits and taxation incomes (losses) during the transaction.
2. Those generated due to investment subsidiary company and joint equities and likely to not to be returned in the foreseeable future.
3. Original recognition of business reputation

Deferred income tax assets are recognized for unused tax losses and unused income tax credits in subsequent periods to the extent that it is probable that future taxable income will be available against which the temporary differences can be deducted. Deferred income tax assets are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized, or to the extent that it becomes probable that sufficient taxable income will be available to allow the reversal of the original reduction.

Deferred income tax assets are measured according to the tax rate in the current period when the expected capital is realized or liabilities are liquidated and based on the legal tax rate or substantial legal tax rate on the report day.

Only when the Company shall meet the following conditions at the same time, can the deferred income tax assets and deferred tax liabilities offset with each other:

1. Having the legal execution right to make the current income tax assets and the current tax liabilities offset with each other: and
2. Deferred income tax assets and deferred tax liabilities are related to one of the subjects of tax payment from which the same tax authority levies income tax;
   (1) Same subject of tax payment; or
   (2) Different subjects of tax payment, but all subjects intend to liquidate the current tax liabilities and assets based on net amount or at the same time realize assets and liquidate liabilities in each of the future periods when deferred income tax assets of major amounts are expected to be recovered and deferred tax liabilities expected to be liquidated.

(xviii) Earnings per share

The Company lists the basic and diluted earnings per share of holders of common stock equity of the Company. The basic earnings per share of the Company shall be calculated with the gains and losses of the holders of common stock equity of the Company divided by the weighted mean of current outstanding common shares. Diluted earnings per share shall be calculated after adjusting the influence of all potential diluted common shares of the gains and losses of the holders of common stock equity of the Company and the weighted mean of current outstanding common shares. The potential diluted common shares of the Company include convertible corporate bonds and stock options for employees.

(xix) Segments

The Company has disclosed Operating Segmentsin the Consolidated Financial Statements and therefore individual financial statements do not disclose Operating Segments.

v. Primary sources of uncertainty in major accounting judgments, estimates, and assumptions

Management is required to make judgments, estimates and assumptions in preparing this entity's financial statements in accordance with "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from estimates.

The management authority continuously inspects the estimate and basic assumption, and accounting changes are recognized during the period of changes and the period of future to be influenced.

Accounting policies that involve significant judgment and that have a material effect on the amounts recognized in the financial statements of the Company are as follows:

Inventory evaluation

Since inventory must be measured at the lower of cost or net realizable value, the company estimates the reported amount of inventory due to normal wear and tear, obsolescence, or no market sale value daily and reduces the cost of inventory to net realizable value. The net realizable value of inventories may change significantly due to rapid changes in the industry and the introduction of new products. Please refer to Note VI (IV) for the inventory assessment.

vi. Descriptions of Material Accounting Items

(i) Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
Petty cash	$ 99	240
Checks and demand deposits	497,153	490,112
Time deposits	50	352,170
Cash and cash equivalents listed on the Statement	$ 497,302	842,522

Disclosures of interest rate risks and sensitivity analysis on financial assets and liabilities of the Company are seen in Note VI (XXI).

(ii) Financial assets measured at fair value through profit or loss (FVTPL)

	Dec. 31, 2020	Dec. 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Non-hedging derivatives		
Forward exchange contracts	$ 2,080	-

Please refer to Note VI (XXI) for the amount recognized in profit or loss based on fair value remeasurement.

The Company engages in derivative financial instruments to hedge its exposure to exchange rate risk arising from operating activities. The breakdown of derivative instruments reported as financial assets at fair value through profit or loss for non-applicable hedge accounting is as follows:

	Dec. 31, 2020	
Financial Assets	Contract Principal (NT$ thousand)	Maturity
Forward exchange contracts	USD 4,000	Jan. 11, 2021
"	USD 2,000	Jan. 12, 2021
"	USD 2,000	Jan. 22, 2021
"	USD 2,000	Feb. 9, 2021
"	USD 2,000	Feb. 18, 2021
"	USD 2,000	Feb. 19, 2021
"	USD 2,000	Feb. 23, 2021
"	USD 6,000	March 10, 2021
"	USD 2,000	March 23, 2021

As of December 31, 2020 and 2019, none of the Company's financial assets at fair value through profit or loss were pledged as collateral.

(iii) Notes, accounts receivable and other receivables

	Dec. 31, 2020	Dec. 31, 2019
Notes receivable	$ 2,485	1,675
Accounts receivable (including related parties)	4,320,998	3,917,180
Other accounts receivable (including related parties)	111,377	128,132
Less: Provisions	(5,424)	(8,067)
	$ 4,429,436	4,038,920

For the changes in the provisions for notes and accounts receivable for the years ended December 31, 2020 and 2019, please refer to Note VI (XXI) 1. (3) Statement of Impairment Losses.

(iv) Inventory

	Dec. 31, 2020	Dec. 31, 2019
Merchandise	$ 710,364	550,887
Finished goods	108	1,165
Work in progress	-	18
Raw materials	5	-
Goods in transit	-	39,018
	$ 710,477	591,088

The Company's inventory as of December 31, 2020 and 2019 including allowance for inventory losses are NT$45,507 thousand dollars and NT$19,600 thousand dollars respectively.

The Company recognized inventory-related expenses (gain) as follows:

	2020	2019
Cost of goods sold	$ 8,787,969	8,161,593
Losses on the price fall and scraping of inventory	29,666	1,193
Total	$ 8,817,635	8,162,786

As of December 31, 2020 and 2019, the Company's inventories were not pledged as security.

(v) Investments accounted for using the equity method

The investments of the Company accounted for using the equity method are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Subsidiaries	$ 10,225,811	8,873,276

1. Subsidiaries

Please refer to the consolidated financial statements for the year ended on December 31, 2020.

2. Guarantee

As of December 31, 2020 and 2019, the Company's investments accounted for using the equity method did not provide security for the pledge.

(vi) Property, plant and equipment

The changes in the cost, depreciation and impairment losses of the property, plant and equipment of the Company are as follows:

	Land	Buildings	Machinery equipment	Other	Total
Cost or deemed cost:					
Balance as of Jan. 1, 2020	$ 28,250	32,438	14,300	48,319	123,307
Addition	-	-	-	1,181	1,181
Disposal	-	-	(1,820)	(202)	(2,022)
Balance as of Dec. 31, 2020	$ 28,250	32,438	12,480	49,298	122,466
Balance as of Jan. 1, 2019	$ 28,250	31,568	14,886	35,709	110,413
Addition	-	870	28	14,683	15,581
Disposal	-	-	(614)	(2,073)	(2,687)
Balance as of Dec. 31, 2019	$ 28,250	32,438	14,300	48,319	123,307
Losses on depreciation and impairment:					
Balance as of Jan. 1, 2020	$ -	16,070	13,615	30,194	59,879
Depreciation in the year	-	903	377	4,937	6,217
Disposal	-	-	(1,704)	(202)	(1,906)
Balance as of Dec. 31, 2020	$ -	16,973	12,288	34,929	64,190
Balance as of Jan. 1, 2019	$ -	15,268	13,567	30,236	59,071
Depreciation in the year	-	802	252	2,031	3,085
Disposal	-	-	(204)	(2,073)	(2,277)
Balance as of Dec. 31, 2019	$ -	16,070	13,615	30,194	59,879
Book value:					
Dec. 31, 2020	$ 28,250	15,465	192	14,369	58,276
Dec. 31, 2019	$ 28,250	16,368	685	18,125	63,428

As of December 31, 2020, and December 31, 2019, property, plant and equipment were used as collateral for short-term loans and financing lines. Please refer to Note VIII for details.

(vii) Right-of-use assets

The changes in the costs of the lease of lands, buildings, machinery and other equipment, losses on depreciation and impairment of the consolidated company are as follows:

	Buildings
Cost of the right-of-use assets:	
Balance as of Jan. 1, 2020	$ 118
Decrease	(118)
Balance as of Dec. 31, 2020	$ -
Balance on Jan. 1, 2019	$ -
Addition	118
Balance on Dec. 31, 2019	$ 118

		Buildings
Depreciation and impairment losses of right-of-use assets:		
Balance as of Jan. 1, 2020	$	59
Depreciation		59
Decrease		(118)
Balance as of Dec. 31, 2020	**$**	**-**
Balance as of Jan. 1, 2019	$	-
Depreciation		59
Balance as of Dec. 31, 2019	**$**	**59**
Book value:		
Dec. 31, 2020	**$**	**-**
Dec. 31, 2019	**$**	**59**

(viii) Investment property

The changes in the investment property of the Company are as follows:

		Land	Buildings	Total
Cost or deemed cost:				
Balance as of Jan. 1, 2020	$	248,200	39,285	287,485
Addition		12,376	5,547	17,923
Balance as of Dec. 31, 2020	**$**	**260,576**	**44,832**	**305,408**
Balance as of Jan. 1, 2019	$	248,200	39,285	287,485
Balance as of Dec. 31, 2019	**$**	**248,200**	**39,285**	**287,485**
Losses on depreciation and impairment:				
Balance as of Jan. 1, 2020	$	-	4,483	4,483
Depreciation		-	998	998
Balance as of Dec. 31, 2020	**$**	**-**	**5,481**	**5,481**
Balance as of Jan. 1, 2019	$	-	3,525	3,525
Depreciation		-	958	958
Balance as of Dec. 31, 2019	**$**	**-**	**4,483**	**4,483**
Book value:				
Dec. 31, 2020	**$**	**260,576**	**39,351**	**299,927**
Jan. 1, 2019	**$**	**248,200**	**35,760**	**283,960**
Dec. 31, 2019	**$**	**248,200**	**34,802**	**283,002**
Fair value:				
Dec. 31, 2020			**$**	**372,159**
Dec. 31, 2019			**$**	**322,604**

As of December 31, 2020 and 2019, none of the Company's investment properties had been pledged as security.

(ix) Intangible assets

The changes in the cost and amortization of the intangible assets of the Company are as follows:

	Computer software	Other	Total
Cost:			
Balance as of Jan. 1, 2020	$ 84,795	600	85,395
Separate acquisition	58,424	-	58,424
Balance as of Dec. 31, 2020	$ 143,219	600	143,819
Balance as of Jan. 1, 2019	$ 63,438	600	64,038
Separate acquisition	21,357	-	21,357
Balance as of Dec. 31, 2019	$ 84,795	600	85,395
Losses on amortization and impairment:			
Balance as of Jan. 1, 2020	$ 34,458	-	34,458
Amortization in the year	11,778	-	11,778
Balance as of Dec. 31, 2020	$ 46,236	-	46,236
Balance as of Jan. 1, 2019	$ 33,410	-	33,410
Amortization in the year	1,048	-	1,048
Balance as of Dec. 31, 2019	$ 34,458	-	34,458
Book value:			
Balance as of Dec. 31, 2020	$ 96,983	600	97,583
Balance as of Dec. 31, 2019	$ 50,337	600	50,937

The amortization expense of the intangible assets of the Company respectively recognized in the Statement of Comprehensive Income:

	2020	2019
Operating expense	$ 11,778	1,048

(x) Lease liabilities

The carrying amounts of the Company's lease liabilities are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Current	$ -	59

Please refer to Note VI (XXI) for the maturity analysis.

The amounts recognized in the profit and loss are as follows:

	2020	2019
Interest expense for lease liabilities	$ 1	1

The amounts recognized in the Statement of Cash Flows are as follows:

	2020	2019
Total cash outflow for leases	$ 60	60

(xi) Refund liabilities - current

	Dec. 31, 2020	Dec. 31, 2019
Refund liabilities - current	$ 161,767	157,256

The refund liabilities are mainly the prepayments to customers for the sales discount and defects of electronic components.

(xii) Provisions

	Dec. 31, 2020	Dec. 31, 2019
Provisions - non-current		
Employee benefits	$ 49,258	41,729

Employee benefits are estimated under the Company's defined benefit plan, please refer to Note VI (XIV) for details.

(xiii) Lease for business operating

The company leases its investment real estate, which is classified as an operating lease because almost all risks and rewards belonging to the ownership of the underlying asset have not been transferred. Please refer to Note VI (VIII) for details of the investment real estate.

Due date analysis of lease benefits to report the total amount of undiscounted lease benefits received in the future is shown in the following table:

	Dec. 31, 2020	Dec. 31, 2019
Not more than 1 year	$ 4,544	6,037
1-2 years	523	629
Total undiscounted lease payment	$ 5,067	6,666

Rental income generated from investment properties was NT$4,896,000 dollars and NT$5,577,000 dollars for 2020 and 2019 respectively. The direct operating expenses (including maintenance) incurred by the investment properties that generated rental income during the period were NT$1,028,000 dollars and NT$1,089,000 dollars respectively.

(xiv) Employee benefits

1. Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets of the Company is as follows:

	Dec. 31, 2020	Dec. 31, 2019
Present value of defined benefit obligations	$ 83,499	73,681
Fair value of plan assets	(34,241)	(31,952)
Net defined benefit liabilities	$ 49,258	41,729

Details of the employee benefit liabilities of the Company are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Liabilities from paid leaves	$ 3,394	3,577

The defined benefit plan of the Company is contributed to special account of contribution for retirement of Bank of Taiwan. The retirement payment of each employee applicable to Labor Standards Law is calculated in accordance with the base obtained based on the length of service and the average salaries within six months before retirement.

(1) Composition of Plan Assets

The retirement fund contributed by the Consolidated under the Labor Standards Law shall be controlled by the Labor Funds Operation Bureau of the Ministry of Labor (hereinafter referred to as the Labor Funds Bureau), and under the provisions of Measures on the Management and Application of Labor Retirement Funds, the annual minimum return settled and distributed from the funds operation shall not be lower than the incomes calculated in accordance with the 2-year time certificate of deposit rate of the local banks.

As of the reporting date, the balance of the Company in the special account of contribution for retirement of Bank of Taiwan amounts to NT$ 34,241,000 dollars. The data of the application of the labor retirement funds include funds yield and funds asset allocation, with details to be seen in the information released on the website of the Labor Funds Bureau.

(2) Changes in the present values of defined benefit obligations

Changes in the present values of defined obligations of the Company in 2020 and in 2019 are as follows:

	2020	2019
Defined benefit obligation on January 1	$ 73,681	72,724
Service cost and interest in the year	1,168	1,310
Remeasurement of net defined benefit liabilities (assets)	8,650	2,262
Benefit paid by the plan	-	(2,615)
Defined benefit obligation on December 31	$ 83,499	73,681

(3) Changes in the fair value of plan assets

The changes in the fair value of defined benefit plan assets of the Company in 2020 and in 2019 are as follows:

	2020	2019
Fair value of plan assets on January 1	$ 31,952	32,202
Interest income	238	319
Remeasurement of net defined benefit liabilities (assets)	1,052	1,114
Amount contributed to the plan	999	932
Benefit paid by the plan	-	(2,615)
Fair value of plan assets on December 31	$ 34,241	31,952

(4) Expenses recognized in profit or loss

The expenses of the Company recognized in profit or loss in 2020 and in 2019 are as follows:

		2020	2019
Service cost in the year	$	621	590
Net interest of net defined benefit liabilities		309	401
	$	**930**	**991**
Operating cost	$	115	117
Promotion Expenses		290	277
Administration Expenses		337	356
R&D expenses		188	241
	$	**930**	**991**

(5) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

Remeasurement of the accumulated net defined benefit liabilities (assets) of the Company recognized in other comprehensive income in 2020 and in 2019 are as follows:

		2020	2019
Accumulated balance on January 1	$	1,895	3,043
Amount recognized in the year		(7,598)	(1,148)
Accumulated balance on December 31	$	**(5,703)**	**1,895**

(6) Actuarial assumptions

The material actuarial assumptions used by the Company to determine the present value if defined benefit obligations at the end of the reporting period are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Discount rate	0.35%	0.75%
Increase in future salary	2.00%	2.00%

The amount of appropriation for defined benefit plans within 1 year after the reporting date for the year ended on Dec. 31, 2020 is NT$1,038,000.

The weighted average duration of defined benefit plans is 11 years.

(7) Sensitivity analysis

The effects of changes in the main actuarial assumptions adopted on Dec. 31, 2020 and 2019 on the present value of defined benefit obligations are as follows:

	Effects on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
Dec. 31, 2020		
Discount rate	(2,278)	2,367
Increase in future salary	2,322	(2,247)

	Effects on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
Dec. 31, 2019		
Discount rate	(2,069)	2,151
Increase in future salary	2,119	(2,049)

The above sensitivity analysis refers to the analysis on the influence of single assumption change based on the situation that other assumptions keep unchanged. In practice, many changes to the assumptions may be linked. The calculation method of sensitivity analysis shall be consistent with that of net defined benefit liabilities of the balance sheet.

The method and assumption applied in current sensitivity analysis is consistent with those adopted in early stage.

2. Defined Contribution Plan

As to the defined contribution plan, the Company shall contribute the retirement funds of employees to the individual accounts for labor retirement funds of the Bureau of Labor Insurance according to 6% of the monthly salaries of labors under the provisions of Labor Pension Act. Under this plan, after contributing fixed amount to the Bureau of Labor Insurance, the Company will not assume the legal or constructive obligations of paying extra amount.

The pension expense under the defined contribution retirement funds of the Company in the year of 2020 and 2019 are NT$6,664,000 and NT$6,411,000 respectively, which have been contributed to the Bureau of Labor Insurance.

(xv) Income tax

1. The details of the income tax expenses of the Company are as follows:

	2020	2019
Income tax expense in the year		
Income tax generated in the year	$ 380,186	281,975
Surtax on undistributed retained earnings	22,374	23,819
Adjustment of the income tax in the previous year	(2,084)	(338)
	400,476	305,456
Deferred income tax expense		
Occurrence and reversal of temporary difference	6,535	(23,876)
Income tax expense	$ 407,011	281,580

The income tax expenses (profit) of the Company recognized in other comprehensive income in 2020 and in 2019 are as follows:

	2020	2019
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plan	$ (1,520)	(230)

The reconciliation of the relationship between the income tax expense (profit) and the net profit before tax of the Company in 2020 and in 2019 is as follows:

	2020	2019
Net profit before tax	$ 3,139,372	2,357,623
Income tax calculated based on the tax rate of the place where the Company located	627,875	471,525
Adjustments in accordance with tax laws	(241,154)	(213,426)
Underestimate (overestimate) in the previous year	(2,084)	(338)
Surtax on undistributed retained earnings	22,374	23,819
Total	$ 407,011	281,580

2. Deferred income tax assets

(1) Recognized deferred income tax assets

	Dec. 31, 2020	Dec. 31, 2019
Losses from inventory price drop and obsolescence	$ 9,101	3,920
Unappropriated pension expenses	478	492
Losses from the price drop of fixed assets and idle assets	44	44
Refund liabilities and accounts payable	43,368	43,772
Unrealized foreign exchange losses	823	12,121
Remeasurement of defined benefit plan	9,758	8,238
Deferred income tax assets	$ 63,572	68,587

3. Income Tax Approval

The approval on the filing of final income tax return of the Company has lasted till the year 2018 as required by the taxing authority.

(xvi) Capital and Other Equity

As of December 31, 2020 and 2019, the total authorized share capital of the Company was $1,550,000,000 dollars with a par value of $10 per share, and the actual amount issued was $1,034,779,000 dollars.

On August 9,2018 and November 19, 2018, the Company's Board of Directors resolved to issue 10,000,000 new shares with a par value of $10 per share and an issue price of $140 per share by cash capital increase, with January 10, 2019 as the base date for the capital increase. This capital increase has been approved by the Financial Supervisory Commission and the statutory registration process was completed on January 23, 2019.

1. Capital reserve

The components of the Company's capital reserve are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Premium of issued shares	$ 3,577,768	3,577,768
Change in the net value of the stock of subsidiaries and associates accounted for using the equity method	365,080	366,393
Employee stock options	15,399	15,399
	$ 3,958,247	3,959,560

In accordance with the Companies Act, capital surplus is required to cover losses first before new shares or cash can be issued in proportion to the shareholders' original shares. Realized capital surplus referred to in the preceding paragraph includes premiums from the issuance of shares in excess of par value and proceeds from gifts received. In accordance with the Regulations Governing the Issuer's Offerings and Issuance of Marketable Securities, the aggregate amount of capital surplus that may be capitalized each year shall not exceed 10% of the paid-in capital.

2. Retained earnings

In accordance with the Company's Articles of Incorporation, the Company shall, after the final settlement of each year's earnings, first complete tax contributions, make up for prior years' deficits and set aside 10% as legal reserve, except when the legal reserve has reached the level of total capital; the Company is required by law to set aside or reverse special reserve. In the case of unappropriated earnings for the same period, the Board of Directors shall propose a proposal for the distribution of earnings to the shareholders for resolution, and the dividend to be distributed shall not be less than 20% of the net profit for the year after taxation, after deducting the net income provided for by law.

The Company will take into account the environment and growth of the Company and the distribution of earnings should take into account the Company's future capital expenditure budget and capital requirements and pay cash dividends of not less than 10% of the dividends distributed in the current year.

(1) Legal reserve

If the Company has no deficit, it may, by resolution of the shareholders in general meeting, issue new shares or cash out of the legal reserve to the extent that such reserve exceeds 25% of the paid-in capital.

(2) Special reserve

When the Company distributes distributable earnings, the Company accounts for other shareholders' equity in the current year and provides a special reserve of the same amount from current period's profit or loss as the prior period's undistributed earnings, and a special reserve of the same amount from prior period's undistributed earnings is not distributed. If there is a subsequent reversal in the number of other decreases in shareholders' equity, the reversal may be distributed in the form of a surplus.

(3) Earnings distribution

The appropriation of the 2019 and 2018 earnings was approved by the shareholders' meetings held on June 19, 2020 and June 14, 2019, respectively:

	2019		2018	
	Payout ratio (TWD)	**Amount**	**Payout ratio (TWD)**	**Amount**
Distributed to the holders of ordinary shares:				
Cash	$ 10.50	**1,086,518**	8.70	**900,258**

On March 24, 2021, the Company's board of directors proposed the following 2020 earnings distribution:

	2020	
	Payout ratio (TWD)	**Amount**
Distributed to the holders of ordinary shares:		
Cash	$ 13.30	**1,376,256**

Information on the distribution of earnings as proposed by the Board of Directors and resolved by the Shareholders' Meeting is available on the "Public Information Observation Post System".

3. Other equity

	Exchange differences on translation of foreign operations	Unrealized gain or loss on financial assets measured at FVTOCI	Total
Balance as of Jan. 1, 2020	$ (631,970)	(18,562)	(650,532)
Exchange differences arising from the translation of the net assets of foreign operations	45,017	-	45,017
Unrealized losses from financial assets measured at FVTOCI	-	403	403
Disposal of equity instruments measured at FVTOCI	-	10,140	10,140
Balance as of Dec. 31, 2020	**$ (586,953)**	**(8,019)**	**(594,972)**
Balance as of Jan. 1, 2019	$ (314,561)	(2,459)	(317,020)
Exchange differences arising from the translation of the net assets of foreign operations	(317,409)	-	(317,409)
Unrealized losses from financial assets measured at FVTOCI	-	(16,103)	(16,103)
Balance as of Dec. 31, 2019	**$ (631,970)**	**(18,562)**	**(650,532)**

(xvii) Earnings per share

The calculation of basic earnings per share and diluted earnings per share of the Company is as follows:

	2020	2019
Net profit attributable to the Company in the year	**$ 2,732,361**	**2,076,043**
Weighted average shares outstanding (1,000 shares)	103,478	103,231
Dilutive potential ordinary shares		
Bonuses for employees	272	278
	103,750	**103,509**
Basic earnings per share	**$ 26.41**	**20.11**
Diluted earnings per share	**$ 26.34**	**20.06**

(xviii) Revenue from contracts with customers

1. Disaggregation of revenue

		2020	2019
Major regional markets:			
Taiwan	$	1,044,006	669,848
Mainland China		8,481,405	7,236,980
Other countries		1,837,024	2,061,506
	$	11,362,435	9,968,334
Main products/Line of service:			
DT	$	4,019,735	3,823,353
Server		3,039,814	2,489,216
NB		2,529,275	1,976,577
Automotive		80,338	116,870
Other		1,693,273	1,562,318
	$	11,362,435	9,968,334

2. Balance of Contract

		Dec. 31, 2020	Dec. 31, 2019	108.1.1
Contract liabilities	$	21,392	14,998	3,922

The beginning balances of contract liabilities as of Jan. 1, 2020 and 2019 were recognized as income of NT$13,710,000 dollars and NT$3,793,000 dollars respectively.

(xix) Non-operating income and expenses

1. Interest income

		2020	2019
Interest income	$	10,165	14,173

2. Other income

The details of other income of the Company are as follows:

		2020	2019
Income from molding	$	34,952	17,206
Income from samples		5,844	3,471
Income from rentals		4,956	5,415
Income from compensation		8,630	3,297
Others		8,132	7,536
	$	62,514	36,925

3. Other income and loss

The details of other income and loss of the Company are as follows:

		2020	2019
Foreign exchange gain loss	$	(114,795)	(67,449)
Net profit or loss from financial assets (liabilities) measured at FVTPL:			
Derivatives:			
Forward exchange contracts		7,620	(1,921)
Metal Product Swap Contracts		4,346	-
Profit from the disposal of property, plant and equipment		136	17
Other		(8,557)	(3,231)
Total	$	(111,250)	(72,584)

4. Financial cost

The details of the financial cost of the Company are as follows:

		2020	2019
Interest expense	$	1,420	592

(xx) Remuneration for employees, directors, and supervisors

In accordance with the Company's Articles of Incorporation, no less than 3% of the Company's annual profits shall be appropriated to the Compensation of Employees and no more than 3% to the Compensation of Directors and Supervisors; however, if the Company has accumulated losses, it shall retain the amount of compensation in advance and appropriate the Compensation of Employees and Supervisors in proportion to the aforementioned. The former Compensation of employees to whom stock or cash is issued may include employees of a subordinate company who meet certain criteria.

The estimated amount of compensation of employees for the years ended December 31, 2020 and 2019 was $97,235,000 dollars and $73,054,000 dollars respectively, and the estimated amount of compensation to directors and supervisors was $4,480,000 dollars. The Company's Net profit before tax for the period is estimated by multiplying the amount of the Company's Net profit before issuing the compensation of employees and directors and supervisors by the proportion of the Company's compensation distribution to employees and directors and supervisors as provided in the Company's Articles of Incorporation and is reported as operating costs or expenses for that period. If there is a difference between the actual distribution amount and the estimated amount for the following year, the change in accounting estimate is adjusted and the difference is recognized in profit or loss for the following year. In the event that the Board of Directors resolves to grant a compensation of employees by way of stock, the number of shares of stock-based compensation is calculated based on the closing price of the common stock on the day before the Board of Directors' resolution.

The difference of $46 thousand between the actual allotment of employees', directors' and supervisors' remuneration in 2019 and the estimated amount in the financial statements for the year ended December 31, 2019 has been accounted for as a change in accounting estimate and recognized as profit or loss for the year ended December 31, 2020. There was no difference between the amount resolved by the board of directors for employees' and directors' and supervisors' remuneration in 2020 and the amount estimated in the individual financial statements for the year ended December 31, 2020. The related information is available on the Market Observation Post System (MOPS).

(xxi) Financial instruments and fair value information

1. Credit risk

(1) Credit risk exposure

The carrying amount of a financial asset represents the maximum amount of credit risk. The maximum amount of credit risk exposure was $4,894,002,000 dollars and $4,881,202,000 dollars as of December 31, 2020 and 2019 respectively.

(2) Credit risk concentration risk

In order to reduce the credit risk of accounts receivable, the Company continually evaluates the financial position of its customers and adjusts the terms of transactions between them if necessary. As of December 31, 2020 and 2019, the Company had 4 and 3 different customers with accounts receivable balances exceeding 5% of total accounts receivable for a single customer respectively. The Company periodically evaluates the probability of recovery of accounts receivable and presents Provisions, and the total loss is always within management's expectations.

(3) Impairment loss

The Company uses a simplified method of estimating expected credit losses for all of its notes and accounts receivable, which is to measure expected credit losses over the life of the notes and accounts receivable, and for this purpose, the notes and accounts receivable are grouped by common credit risk characteristics that represent the ability of customers to pay all amounts due under contractual terms and are included in forward-looking information. The expected credit losses on the Company's notes and accounts receivable are analyzed as follows:

	Dec. 31, 2020		
	Book value of Notes and accounts receivable	**Weighted average expected credit loss rate**	**Expected credit loss in the duration of provision**
Not past due	$ 4,275,318	0.01%	524
1-30 days past due	7,353	0.26%	19
31-60 days past due	35,232	3.65%	1,287
61-120 days past due	3,363	12.53%	385
121-180 days past due	839	37.90%	318
181-270 days past due	2	50.00%	1
More than 271 days past due	1,376	100.00%	1,376
	$ 4,323,483		**3,910**

	Dec. 31, 2019		
	Book value of Notes and accounts receivable	**Weighted average expected credit loss rate**	**Expected credit loss in the duration of provision**
Not past due	$ 3,815,591	0.01%	416
1-30 days past due	86,241	0.18%	159
31-60 days past due	12,098	1.81%	219
61-120 days past due	344	6.10%	21
121-180 days past due	190	17.37%	33
181-270 days past due	-	43.85%	-
271-365 days past due	16	81.25%	13
More than 365 days past due	4,375	100.00%	4,375
	$ 3,918,855		**5,236**

The changes in the provisions for the notes and accounts receivable of the Company are as follows:

	2020	**2019**
Beginning balance	$ 5,236	5,778
Reversal of impairment loss	(1,310)	(542)
Charge off	(16)	-
Ending balance	**$ 3,910**	**5,236**

2. Liquidity risk

The contracts of financial liabilities are sorted by their maturity dates as follows. The estimated interests are included, but the effect of net value agreement is excluded.

	Book Value	**Cash flow from the contract**	**Within 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Dec. 31, 2020							
Non-derivative financial liabilities:							
Notes payable	$ 2,712	2,712	2,712	-	-	-	-
Accounts payable	11,421	11,421	11,421	-	-	-	-
Accounts payable - related parties	2,034,411	2,034,411	2,034,411	-	-	-	-
Other payables	299,122	299,122	299,122	-	-	-	-
Other payables - related parties	2,092	2,092	2,092	-	-	-	-
	$ 2,349,758	2,349,758	2,349,758	-	-	-	-
Dec. 31, 2019							
Non-derivative financial liabilities:							
Notes payable	$ 18,934	18,934	18,934	-	-	-	-
Accounts payable	14,499	14,499	14,499	-	-	-	-
Accounts payable - related parties	2,264,397	2,264,397	2,264,397	-	-	-	-
Other payables	245,547	245,547	245,547	-	-	-	-
Other payables - related parties	5,838	5,838	5,838	-	-	-	-
Lease liabilities	59	60	30	30	-	-	-
	$ 2,549,274	2,549,275	2,549,245	30	-	-	-

The Company does not anticipate that the cash flows analyzed at maturity date will alter significantly or that the actual amounts will vary significantly.

3. Market risk - exchange rate risk

(1) Exposure to exchange rate risk

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

	Dec. 31, 2020			
		Foreign Currency	**Rate**	**TWD**
Financial assets				
Currency				
USD	$	155,306	28.4800	4,423,109
RMB		90,966	4.3648	397,051
HKD		4,407	3.6730	16,187
JPY		8	0.2763	2
EURO		1,067	35.0200	37,367
INR		4	0.4791	2
VND		3,662,009	0.0012	4,394
Long-term equity investment accounted for using the equity method				
USD		321,978	28.4800	9,169,934
EURO		116	35.0200	4,059
Financial liabilities				
Currency				
USD	$	77,250	28.4800	2,200,090
RMB		71	4.3648	312
HKD		1,915	3.6730	7,033
EURO		3	35.0200	105

	Dec. 31, 2019			
		Foreign Currency	Rate	TWD
Financial assets				
Currency				
USD	$	143,765	29.9800	4,310,086
RMB		75,814	4.2975	325,809
HKD		5,996	3.8490	23,078
EURO		2,390	33.5900	80,284
INR		4	0.4791	2
VND		17,980	0.0012	22
Long-term equity investment accounted for using the equity method				
USD		266,602	29.9800	7,992,737
EURO		110	33.5900	3,711
Financial liabilities				
Currency				
USD	$	77,928	29.9800	2,336,285
RMB		37	4.2975	160
HKD		1,923	3.8490	7,402
JPY		178	0.2760	49
EURO		46	33.5900	1,531
MOP		1	3.8490	3
VND		14,361	0.0012	17

Because the Company has a wide range of functional currencies, it has adopted a consolidated approach to disclose exchange gain or loss on monetary items, with foreign currency exchange gains (realized and unrealized) of $114,795,000 dollars and $67,449,000 dollars for the years ended 2020 and 2019 respectively.

(2) Sensitivity analysis

The Company's exchange rate risk primarily comes from foreign currency-denominated cash and cash equivalents, accounts receivable and other receivables, loans, accounts payable and other payables, resulting into gains and losses of conversion of foreign currency when exchanging. As of December 31, 2020 and 2019, if TWD had depreciated or appreciated by 1% relative to foreign currencies held by the Company and all other factors remained constant, net income would have increased or decreased by $21,365,000 dollars and $19,151,000 dollars respectively for 2020 and 2019. The same basis is used for both phases of analysis.

4. Market risk - changes in interest rates

The Company's interest rate risk arises primarily from variable rate bank deposits, and changes in interest rates will cause future cash flows to fluctuate as the effective interest rates on bank deposits.

The following Sensitivity analysis was determined based on the interest rate risk of the financial instruments on the reporting date. For floating-rate liabilities, the analysis is based on the assumption that the amount of the liability outstanding at the reporting date is outstanding for the entire year. The rate of change used in the Company's internal reporting of interest rates to key management is a 1% increase or decrease in interest rates, which also represents management's assessment of the range of reasonably possible changes in interest rates.

The Company's financial assets with variable interest rates as of December 31, 2020 and 2019 were $496,950,000 dollars and $488,521,000 dollars respectively, and its financial liabilities were $0 and $720,000,000 dollars respectively. If interest rates had increased or decreased by 1%, the Company's net income would have increased or decreased by $3,976,000 dollars and decreased or increased by $3,908,000 dollars for 2020 and 2019, respectively, with all other variables held constant.

5. Market risk - fair value

(1) Fair value and carrying amount

The Company's management believes that the fair value of non-derivative short-term financial instruments shall be estimated using their book value on the balance sheet because of the near maturity of such instruments and their book value should be a reasonable basis for estimating fair value. This method is applied to cash and cash equivalents, notes receivable, accounts payable, other receivables and other payables, deposit margin and short-term borrowings.

In addition to the above financial instruments, the fair value and book value information of the remaining financial instruments and investment real estate of the company on the financial reporting date are as follows:

	Dec. 31, 2020		**Dec. 31, 2019**	
	Book Value	**Fair value**	**Book Value**	**Fair value**
Measured at fair value:				
Financial assets:				
Financial assets measured at FVTPL	$ 2,080	2,080	-	-
Not measured at fair value:				
Non-financial assets:				
Investment property	299,927	372,159	283,002	322,604

(2) The evaluation techniques used to determine fair value are as follows:

A. If there is an active market for a financial asset, the fair value is based on the market price. If market prices are not available, quoted prices from counterparties or estimates using valuation techniques are used. The estimates and assumptions used are consistent with those used by market participants in pricing financial instruments.

B. The fair value of investment properties is based on independent evaluators with recognized professional qualifications and recent experience in the area and type of investment properties evaluated.

(3) Fair value hierarchy:

The following table analyzes the fair value hierarchy of financial instruments and investment property by valuation. Each fair value hierarchy is defined as follows:

A. Level 1: Publicly quoted prices (unadjusted) in an active market for identical assets or liabilities.

B. Level 2: Input parameters for an asset or liability are observable either directly (i.e., prices) or indirectly (i.e., derived from prices), except for publicly quoted prices included in Level 1.

C. Level 3: Input parameters for an asset or liability are not based on observable market information (non-observable parameters).

	Level 1	Level 2	Level 3	Total
Dec. 31, 2020				
Measured at fair value:				
Financial assets measured at FVTPL	$ -	-	2,080	2,080
Not measured at fair value:				
Investment property	$ -	-	372,159	372,159
Dec. 31, 2019				
Not measured at fair value:				
Investment property	$ -	-	322,604	322,604

(4) Changes in the financial assets (liabilities) measured at fair value and classified into Level 3

Unit: NT$ thousands

	2020						
		Profit and Losses		Increase in the period		Decrease in the period	
Name	Beginning	Recognized in profit or losses	Recognized in other comprehensive income	Purchase	Turned into Level 3	Sale, disposal or settlement	Ending balance
Financial assets measured at FVTPL	$ -	2,080	-	-	-	-	2,080

The above included gains and losses are reported in "Other gains and losses", which relate to assets still held as of December 31, 2020 and 2019 as follows:

	2020	2019
Recognized in profit (losses)	$ 2,080	-

(5) Quantitative information on fair value measurements of significant unobservable inputs (Level 3)

The Company's financial assets at fair value through profit or loss, which are classified as Level 3, amounted to $2,080 thousand and $0 thousand as of December 31, 2020 and 2019, respectively. The Company does not disclose quantitative information because there is no active market for publicly quoted prices with reference to counter-party quotes and because it is not practicable to fully grasp the relationship between significant unobservable inputs and fair values.

(xxii) Financial Risk Management

1. The Company is exposed to the following risks from the engagement of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note presents the Company's risk information for each of these risks and the Company's objectives, policies and procedures for measuring and managing risk. For further quantitative disclosures, please refer to the respective notes to the parent company only financial statements.

2. Risk Management Structure

The Chairman has the sole responsibility for establishing and overseeing the Company's risk management structure and reports regularly to the Board on its operations.

The Company's risk management policy is designed to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor compliance with the risks and risk limits. The Company develops a disciplined and constructive control environment through training, management guidelines and operating procedures to enable all employees to understand their roles and responsibilities.

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the appropriateness of the Company's risk management framework in relation to the risks it is exposed to. Internal auditors assist the Company's Board of Directors in its oversight role. These personnel conduct regular and exceptional reviews of risk management controls and procedures and report the results of these reviews to the Board of Directors.

3. Credit risk

Credit risk is the risk of financial loss arising from the failure of the Company's customers or counterparties to fulfill their contractual obligations, mainly from the Company's accounts receivable from customers and investments in securities.

(1) Accounts receivable and other receivables

The Company's credit risk exposures are primarily depended on each customer's individual circumstances. However, management also considers statistical information about the Company's customer base, including the risk of default in the customer's industry and country, as these factors may affect credit risk. Approximately 75% and 73% of the Company's revenue for 2020 and 2019, respectively, were derived from sales to customers in Mainland China, which resulted in a significant concentration of regional credit risk.

The Company has established a credit policy whereby the Company is required to analyze the credit rating of each new customer individually before granting standard payment and delivery terms. Credit sales limits are established on an individual customer basis and are reviewed periodically; customers who do not meet the Group's benchmark credit rating may only transact business with the Company on a pre-collection basis.

In monitoring customers' credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, age of accounts, maturity dates and pre-existing financial difficulties. The Company maintains a Provisions account to reflect estimates of losses on accounts receivable and other receivables.

(2) Use of funds

The Company's investments in equity securities are placed through a centralized trading market and therefore have no significant credit transaction risk.

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and reported to the Chairman of the Board of Directors by the Company's finance department. Since the Company's counterparties are creditworthy banks and financial institutions with investment grade or above, there are no significant performance concerns and therefore no significant credit risk.

4. Liquidity risk

Liquidity risk is the risk that the Company will not be able to deliver cash or other financial assets to settle its financial liabilities and will not be able to meet its related obligations. The Company's approach to manage liquidity risk is to ensure that the Company has sufficient liquidity to meet its liabilities as they fall due under normal and stressful circumstances and that there is no risk of unacceptable loss or damage to the Company's reputation. In addition, the Company has entered into unused borrowing lines totaling $1,456,320,000 as of Dec. 31, 2020 to cover unanticipated payments.

5. Market risk

Market risk is the risk that changes in market prices, such as changes in exchange rates, interest rates, and prices of equity instruments, will affect the Company's revenue or the value of financial instruments held by the Company. The objective of market risk management is to manage the exposure to market risk to an acceptable level and to optimize investment returns.

The Company engages in derivative transactions in order to manage market risk. All transactions are executed in accordance with the guidelines of the Board of Directors.

(1) Exchange rate risk

The Company uses derivative transactions to hedge exchange rate risk due to its exposure to exchange rate risk arising from sales and purchase transactions that are not denominated in the Company's functional currency. Gains or losses on foreign currency assets and liabilities arising from changes in exchange rates are largely offset against natural hedges. Derivative transactions can help the Company reduce, but still not completely eliminate, the impact of changes in foreign currency exchange rates.

The Company periodically reviews individual foreign currency assets and liabilities for exposures and hedges against such exposures.

(2) Interest rate risk

The Company's interest rate risk arises primarily from variable rate bank deposits and short-term borrowings, and changes in interest rates will cause future cash flows to fluctuate as the effective interest rates on bank deposits and short-term borrowings change.

(xxiii) Capital management

It is the Board's policy to maintain a sound capital base to maintain the confidence of investors, creditors and the market and to support the development of future operations. Capital consists of the Company's share capital, capital surplus and retained earnings. The Board of Directors controls the rate of return on capital and also controls the level of dividends on ordinary shares.

In order to maintain or adjust its capital structure, the Company may adjust dividends paid to shareholders, reduce capital to refund shareholders, issue new shares or sell assets to settle liabilities.

The Company controls its capital on a debt-to-capital ratio basis. The ratio is calculated by dividing net debt by total capital. Net debt is total liabilities less cash and cash equivalents as shown on the balance sheet. Total capital represents all components of equity (i.e., equity, capital surplus, retained earnings and other equity) plus net debt. The debt-to-capital ratio at the reporting date is as follows:

	Dec. 31, 2020	Dec. 31, 2019
Total liabilities	$ 2,895,843	3,015,595
Less: Cash and cash equivalents	(497,302)	(842,522)
Net liabilities	$ 2,398,541	2,173,073
Total equity	$ 13,499,198	11,815,326
Debt-to-capital ratio	15.09%	15.53%

(xxiv) Investment and fund-raising activities for non-cash transactions

Please refer to Notes VI (VII) and VI (X) for information on the Company's non-cash trading investments and fundraising activities for Right-of-use assets acquired under leases in 2020 and 2019.

The reconciliation of the Company's liabilities from fundraising activities for the years ended December 31, 2020 and 2019 was as follows:

			Non-cash change			
	Jan. 1, 2020	Cash flow	Other	Change in exchange rate	Change in fair value	Dec. 31, 2020
Lease liabilities	$ 59	(60)	1	-	-	-
Total liabilities from financing activities	$ 59	(60)	1	-	-	-

			Non-cash change			
	108.1.1	Cash flow	Other	Change in exchange rate	Change in fair value	Dec. 31, 2019
Short-term loan	$ 720,000	(720,000)	-	-	-	-
Lease liabilities	-	(59)	118	-	-	59
Total liabilities from financing activities	$ 720,000	(720,059)	118	-	-	59

vii. Transactions with related parties

(i) Parent company and ultimate controller: The Company is the ultimate controller of the Company and the Company's subsidiaries.

(ii) Names and relationships of related parties

The Company's subsidiaries and other related parties that had transactions with the Company during the period covered by these individual financial statements are as follows:

Name of Related Party	Relationship with the Company
Lotes Investments Limited	A subsidiary of the Company
Good Hope Investments Limited	A subsidiary of the Company
Guansi Development Co., Ltd.	A subsidiary of the Company
Zhaxi Investment Co., Ltd.	A subsidiary of the Company
Jiayu Investment Co., Ltd.	A subsidiary of the Company
Lotes USA, Inc.	A subsidiary of the Company

Name of Related Party	Relationship with the Company
LOTES EU GmbH	A subsidiary of the Company
Lerain Technology Co., Ltd.	A subsidiary of the Company
Mikronpoint Co., Ltd.	A subsidiary of the Company
Loteson International Investments Limited	A subsidiary of the Company
Lotes Guanghou Co., Ltd	A subsidiary of the Company
Lotes Hengnan Co., Ltd.	A subsidiary of the Company
Shenzhen Deyi Automation Technology Co., Ltd.	A subsidiary of the Company
Lotes Zhongshan Co., Ltd	A subsidiary of the Company
Zhongshan Dezhi Metal Surface Treatment Co., Ltd.	A subsidiary of the Company
Guangzhou Leside Technology Co., Ltd.	A subsidiary of the Company
Hengnan Deyi Property Development Co., Ltd.	A subsidiary of the Company
Chongqing Fuxinrui Electronic Technology Co., Ltd.	A subsidiary of the Company
Xincheng Development Co., Ltd.	A subsidiary of the Company
REKA Technology Co., Ltd.	A subsidiary of the Company
Jae You Co., Ltd.	A subsidiary of the Company
Lotes Suzhou Co., Ltd	A subsidiary of the Company
Wangden Investments Limited (HK)	A subsidiary of the Company
Zongka Technology (Shenzhen) Co., Ltd.	A subsidiary of the Company
Ememe Robot Co., Ltd	A subsidiary of the Company
Compertum Microsystems Inc.	A subsidiary of the Company
Good News Medical Co., Ltd.	A subsidiary of the Company
Lintes Technology Co., Ltd.	A subsidiary of the Company
Jilong Co., Ltd.	A subsidiary of the Company
Rihui Co., Ltd.	A subsidiary of the Company
Lintes Technology (Suzhou) Co., Ltd.	A subsidiary of the Company
Chia-Chun Investment Co., Ltd.	A subsidiary of the Company
Genie Precision Machine Co., Ltd.	A subsidiary of the Company
Key management personnel	Including the directors, supervisors, managers and their families and spouses

(iii) Material transactions with the related parties

1. Operating revenue

The amounts of material sales from the Company to the related parties are as follows:

	2020	2019
Subsidiaries	$ 26,270	27,085

The terms of sale of the Company to a subsidiary of the Company are not significantly different from the normal sales price. Their collection periods are all three months. Receivables from related parties are not covered by collateral.

2. Purchase

The amounts of goods purchased by the Company from the related parties are as follows:

	2020	2019
Xincheng Development Co., Ltd.	$ 1,257,559	1,268,540
REKA Technology Co., Ltd.	7,574,556	6,889,368
Lintes Technology Co., Ltd.	42,463	13,798
	$ 8,874,578	8,171,706

The Company's purchasing prices offered by the above companies are not significantly different from those of the Company's purchasing prices offered by general merchants. Its payment term is three months, which is not significantly different from the average manufacturer.

3. Accounts receivable - related parties

The details of the accounts receivable - related parties are as follows:

Accounting Item	Type of Related Party	Dec. 31, 2020	Dec. 31, 2019
Accounts receivable	Ememe Robot Co., Ltd.	$ -	2,982
Accounts receivable	REKA Technology Co., Ltd.	12,077	12,129
Accounts receivable	Other subsidiaries	935	18
Other accounts receivable	REKA Technology Co., Ltd.	-	652
Other accounts receivable	Ememe Robot Co., Ltd.	2,272	2,272
Other accounts receivable	Lotes Guanghou Co., Ltd (Note)	87,623	86,308
Other accounts receivable	Other subsidiaries	266	549
		$ 103,173	104,910

Note: Other receivables include the Company's loan of $87,296,000 and $85,950,000 dollars to Lotes Guanghou Co., Ltd. The Company's funds lent to subsidiaries bear interest at 4.5% and 5%, respectively, based on the interest rates of the subsidiaries' loans from financial institutions in the year of appropriation. Interest income was recognized as $4,122,000 dollars and $1,444,000 dollars for the years ended December 31, 2020 and 2019, respectively.

4. Accounts payable - related parties

The details of the accounts payable - related parties are as follows:

Accounting Item	Type of Related Party	Dec. 31, 2020	Dec. 31, 2019
Accounts payable	Xincheng Development Co., Ltd.	$ 288,985	211,482
Accounts payable	REKA Technology Co., Ltd.	1,728,149	2,045,852
Accounts payable	Lintes Technology Co., Ltd.	17,277	7,063
Other payables	REKA Technology Co., Ltd.	-	2,756
Other payables	LOTES EU GmbH	-	3,017
Other payables	LOTES USA	2,092	-
Other payables	Other subsidiaries	-	65
		$ 2,036,503	2,270,235

5. Sales of Property, plant and equipment

In February 2019, the Company sold testing equipment to its subsidiary, REKA Technology Co, Ltd. for a total sale price of $427,000 dollars and a disposal gain of $17,000 dollars.

6. Endorsement

The balance and details of the endorsement and guarantee provided by the Company to the related parties are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Lotes Guanghou Co., Ltd	$ 227,840	899,400
Lintes Technology Co., Ltd.	-	-
Lotes Guanghou Co., Ltd and Lotes Suzhou Co., Ltd	-	449,700
Lotes Suzhou Co., Ltd	-	149,900
REKA Technology Co., Ltd.	35,000	35,000
	$ 262,840	**1,534,000**

7. Selling expenses

	Dec. 31, 2020	Dec. 31, 2019
Subsidiaries	**$ 237**	**185**

Mainly the sundry purchases.

8. Management expenses

	Dec. 31, 2020	Dec. 31, 2019
Subsidiaries	$ 59,674	28,280

Mainly the service fees.

9. Non-operating income

	Dec. 31, 2020	Dec. 31, 2019
Subsidiaries	**$ 4,567**	**2,606**

Mainly the income from the rentals of offices leased and the interest income from the loans to subsidiaries.

10. Lease

The Company leases warehouses from major management personnel and enters into one-year lease contracts with a total value of $60,000,000 with reference to the neighboring warehouse rental quotes. The interest expenses of $1,000 and $1,000 were respectively recognized in 2020 and 2019, and the balance of Lease liabilities as of December 31, 2020 and December 31, 2019 were respectively $0 and $59,000.

(iv) Major management personnel transactions

Related compensation includes:

	2020	2019
Short-term employee benefits	$ 48,136	40,372
Post-employment benefits	1,082	757
	$ 49,218	**41,129**

viii. Pledged assets

As of December 31, 2020 and December 31, 2019, property, plant and equipment to provide financial institutions of financing guarantee loan contracts have expired without a renewal, and they have receive a liquidation proof of the bank. However, the pledged note cancellation procedures have not yet been completed. The book value of the relevant land is $28,250 thousand, and the book value of the housing construction is $15,465 thousand and $16,368 thousand respectively.

ix. Significant contingent liabilities and unrecognized contractual commitments

(i) Significant unrecognized contractual commitments:

The amount of information system related contracts executed and outstanding as of December 31, 2020 was approximately $31,566,000 dollars.

(ii) The issuance of guarantee notes for bank loans, financing lines and derivative financial commodity transactions:

	Dec. 31, 2020	Dec. 31, 2019
Guaranteed notes	$ 1,570,240	2,358,960

x. Significant Disaster Loss: None.

xi. Significant Events after the End of the Financial Reporting Period: None.

xii. Other

(i) Employee benefits, depreciation, depletion, and amortization functions are summarized below:

Function / Nature	2020 Operation cost	2020 Operation expense	2020 Total	2019 Operation cost	2019 Operation expense	2019 Total
Employee benefit expense						
Salaries expense	9,700	238,773	248,473	8,427	217,661	226,088
Labor insurance and health insurance expenses	447	10,020	10,467	758	10,176	10,934
Pension expense	378	7,216	7,594	312	7,090	7,402
Compensation of directors	-	3,940	3,940	-	3,734	3,734
Other employee benefit expenses	745	10,069	10,814	1,073	9,120	10,193
Depreciation expense	41	7,233	7,274	867	3,235	4,102
Amortization expense	-	11,778	11,778	-	1,048	1,048

Additional information on the number of employees and employee benefit costs for 2020 and 2019 is as follows:

	2020	2019
Number of employees	135	135
Number of directors who were not employees of the Company	5	5
Average employee benefit expenses	$ 2,133	1,959
Average employee salary expenses	$ 1,911	1,739
Adjustment of average employee salary expenses	9.89%	
Remuneration for supervisors	$ 657	645

Information on the Company's remuneration policy (including the policy for the remuneration of directors, supervisors, managers and employees) is as follows.

1. Remuneration for directors and supervisors is paid in accordance with the Company's remuneration policy for directors and supervisors.
2. The bonuses and dividends for managers and employees are based on the Company's operating conditions, personal duties and performance.
3. The salaries of the directors and supervisors are adjusted in a timely manner to meet their responsibilities.

xiii. Supplementary Disclosures

(i) Information on Significant Transactions

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Company should disclose the following information about significant transactions in 2020:

1. Capital Lending to Others:

Unit: 1,000 TWD／1,000 in foreign currency

No.	Lender	Borrower	Item	Related Party	Max Amount for the term	Balance at the end	Actual Lending Amount	Interest rate	Nature of the lending (Note 1)	Business Amount	Purpose f or the lending	Allowance for bad debt	Collateral		Individual Limit (Note 2)	Overall limit (Note 2)
													Name	Value		
0	The Company	Lotes Guanghou Co., Ltd	intracompany transaction	Yes	131,496 (RMB30,000)	-	-	5.0%	2	-	Working Capital	-	None	-	2,699,840	5,399,679
0	〃	〃	〃	Yes	218,980 (RMB50,000)	218,240 (RMB50,000)	87,296	4.5%	2	-	〃	-	"	-	2,699,840	5,399,679

Note 1: The following are the descriptions of the funds lending.

(1) Those who have business dealings.

(2) When there is a need for short-term financing.

Note 2: The amount of the Company's financing to a single party shall not exceed 20% of the Company's net worth.

The total amount of funds lent by the Company to others shall not exceed 40% of the Company's net worth.

2. **Endorsement:**

Unit: 1,000 TWD /1,000 in foreign currency

No.	Name of the Company that provides the endorsement	Endorsee		Ceiling on amount of endorsement for an enterprise (Note 2)	Balance of the ceiling endorsement fee in the period	Ending balance of the endorsement fee	Amount actually used	Amount of endorsement backed by assets	Percentage of the accumulated amount of endorsement in the net value of current financial statement (%)	Ceiling on amount of endorsement (Note 2)	Endorsement made by parent company to subsidiary	Endorsement made by subsidiary to parent company	Endorsement made to any party in Mainland China
		Company Name	Relationship (Note 1)										
0	The Company	REKA Technology Co., Ltd.	2	2,699,840	35,000	35,000	-	-	0.26%	6,749,599	Yes	No	No
0	"	Lotes Suzhou Co., Ltd	2	2,699,840	151,250 (USD5,000)	-	-	-	- %	6,749,599	"	"	Yes
0	"	Lotes Guanghou Co., Ltd and Lotes Suzhou Co., Ltd	2	2,699,840	453,750 (USD15,000)	-	-	-	- %	6,749,599	"	"	"
0	"	Lotes Guanghou Co., Ltd	2	2,699,840	907,500 (USD30,000)	227,840 (USD8,000)	-	-	1.69%	6,749,599	"	"	"
1	Lotes Guanghou Co., Ltd.	REKA Technology Co., Ltd.	1	1,073,480	90,750 (USD3,000)	85,440 (USD3,000)	-	-	1.59%	2,683,700	No	"	No
2	Lintes Technology Co., Ltd.	Lintes Technology (Suzhou) Co., Ltd.	2	831,350	181,500 (USD6,000)	113,920 (USD4,000)	-	-	6.85%	1,662,701	"	"	Yes
2	"	Genie Precision Machine Co., Ltd.	2	831,350	125,280	101,260	19,125	-	6.09%	1,662,701	"	"	No

Note 1: There are seven types of relationship between the Endorser and Endorsee, which can be marked:

(1) Companies with business dealings.

(2) Companies in which the company directly and indirectly holds more than 50% of the voting rights.

(3) Companies that hold more than 50% of the voting rights in the company, both directly and indirectly.

(4) The Company owns, directly and indirectly, more than 90 percent of the voting shares.

(5) Company that is mutually insured under a contract between its peers or co-manufacturers based on the need to perform the work.

(6) Company in which all of the contributory shareholders have given their endorsement in proportion to their shareholding in the joint venture.

(7) Intercompany performance guarantees and guarantees for pre-sale contracts in accordance with the Consumer Protection Act.

Note 2: (1) The amount of the Company's guarantee for a single corporate endorsement shall not exceed 20% of the net worth of the Company。

The aggregate amount of the Company's guarantees under external endorsement shall not exceed 50% of the net worth of the Company.

(2) The amount of Lotes Guanghou Co., Ltd's guarantee for a single corporate endorsement is limited to not more than 20% of the net worth of the company.

The aggregate amount of Lotes Guanghou Co., Ltd's external endorsement guarantees is limited to an amount not exceeding 50% of the Company's net worth.

(3) The amount of Lintes Technology Co., Ltd.'s guarantee for a single corporate endorsement is limited to not more than 50% of the net worth of the company.

The aggregate amount of Lintes Technology Co., Ltd.'s external endorsement guarantees is limited to an amount not exceeding 100% of the Company's net worth.

3. Securities Held at the End of Fiscal Period (excluding the equity of controlled by subsidiaries, affiliated companies, or joint company):

Unit: 1,000 TWD

Company which holds securities	Category and name of security	Relationship with the issuer of the security	Listed as	End of the fiscal period				Note
				Shares	Book Value	Shareholding proportion	Fair value	
Chia-Yu Investment Co., Ltd.	Grand-Tek Technology Co., Ltd.	None	Financial assets measured at FVTPL - current	163,980	5,608	0.67 %	5,608	
"	Lian Hong Art Company Limited	"	"	1,017,000	83,547	2.98 %	83,547	
"	Sitronix Technology Corporation	"	"	170,000	27,625	0.14 %	27,625	
"	Lucemitek Co., Ltd	"	"	1,368,800	-	4.57 %	-	Note
"	Radinet Communications Inc.	"	"	1,169,977	-	17.33 %	-	Note
"	Kuang Ying Computer Equipment Co., Ltd.	"	"	600,000	-	26.25 %	-	Note
"	AICP Technology Corporation	"	Financial assets measured at FVTOCI - current	400,000	2,016	5.33 %	2,016	
Lintes Technology Co., Ltd.	Chailease Holding Company Limited Class A preferred shares	"	Financial assets measured at FVTOCI - non-current	202,000	20,120	0.13 %	20,120	

Note: All of them were recognized in losses.

4. The cumulative purchase or sale of the same securities amounted to at least NT$300 million or 20% of the paid-in capital: None.

5. Acquisition of real property amounting to NT$300 million or 20% or more of the paid-in capital:

Unit: 1,000 TWD

The company which acquired the property	Name of Asset	Date of occurrence	Amount of Transaction (Note 2)	Payment condition (Note 2)	Counterparty of transaction	Relationship	If the counterparty is a related party, the information of its previous transfer shall be provided				Reference for pricing	Purpose of the acquisition and the condition of use	Other agreed matters
							Owner	Relationship with the Issuer	Date of transfer	Amount			
Lotes Zhongshan Co., Ltd.	Plant (Note 1)	Oct. 2017 ~ Dec. 2020	890,255	787,873	Chongqing Chuangyou Construction Group, etc	None	-	-	-	-	Bidding	For the construction of a plant	None
Lotes Hengnan Co., Ltd.	"	Oct. 2019 ~ Dec. 2020	340,428	192,369	"	"	-	-	-	-	"	"	"

Note 1: Build the factory by own contracting committee.

Note 2: The conversions were made at the exchange rates prevailing on the balance sheet date.

6. Disposal of real property amounting to NT$300 million or 20% or more of paid-in capital: None.

7. The amount of sales to or from related parties is at least $100 million or 20% of the paid-in capital:

Unit: 1,000 TWD

The company which purchases (sells) products	Name of Transaction Counterparty	Relationship	Condition of Transaction				Situation and reason for the conditions of transaction to be different from the ordinary ones		Notes and accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Percentage in total goods purchased (sold)	Credit period	Unit Price	Credit period	Balance	Percentage in the notes and accounts receivable (payable)	
Xincheng Development Co., Ltd.	The Company	Subsidiary	Net revenue from the goods sold	1,257,599	95.98 %	Settled in 90 days	-	No significant difference	288,985	94.04%	
"	Lotes Suzhou Co., Ltd	The surrogate parent company are the same parent company	Net expense from the goods purchased	1,308,932	99.90 %	"	-	"	307,166	99.61%	
REKA Technology Co., Ltd.	The Company	Subsidiary	Net revenue from the goods sold	7,574,556	75.69 %	"	-	"	1,728,149	55.31%	
"	Lotes Guanghou Co., Ltd	The surrogate parent company are the same parent company	Net expense from the goods purchased	8,386,061	85.57 %	"	-	"	1,150,187	39.21%	
"	Lotes Automation (Shenzhen) Co., Ltd.	"	Net revenue from the goods sold	412,265	4.12 %	"	-	"	211,505	6.77%	
"	Zongka Technology (Shenzhen) Co., Ltd.	"	Net revenue from the goods sold	469,248	4.69 %	"	-	"	108,222	3.46%	
"	Lotes Hengnan Co., Ltd.	"	Net expense from the goods purchased	555,838	5.67 %	"	-	"	78,557	2.68%	
"	"	"	Net revenue from the goods sold	276,160	2.76 %	"	-	"	80,149	2.57%	
"	Lotes Zhongshan Co., Ltd.	"	Net expense from the goods purchased	930,071	9.49 %	"	-	"	178,176	6.07%	

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

Lotes Guangzhou Co., Ltd	REKA Technology Co., Ltd.	"	Net expense from the goods purchased	2,042,032	30.62 %	"	-	"	302,436	21.31%	
"	Lotes Hengnan Co., Ltd.	"	Net expense from the goods purchased	303,826	4.56 %	"	-	"	35,480	2.50%	
Lintes Technology (Suzhou) Co., Ltd.	Lintes Technology Co., Ltd.	Subsidiary	Net revenue from the goods sold	1,634,841	94.81 %		-		372,386	93.32%	
Lotes Hengnan Co., Ltd.	Zongka Technology (Shenzhen) Co., Ltd.	The surrogate parent company are the same parent company	Net revenue from the goods sold	107,468	12.33 %	"	-	"	41,634	14.54%	
"	Lotes Automation (Shenzhen) Co., Ltd.	"	Net revenue from the goods sold	177,683	20.38 %	"	-	"	105,954	37.00%	

8. Amounts due from related parties amounting to at least NT$100 million or 20% of paid-in capital:

Unit: 1,000 TWD

Related party with accounts receivable by the Company	Name of transaction counterparty	Relationship	Balance of receivables from the related party	Turnover Ratio	Past due receivables from the related party		Receivables from the related party Amount received after the period ended	Appropriated Allowance Amount of loss
					Amount	Solution		
Xincheng Development Co., Ltd.	The Company	Subsidiary	288,985	5.03	-		73,102	-
REKA Technology Co., Ltd	The Company	Subsidiary	1,728,149	4.01	-		1,728,149	-
"	Lotes Guanghou Co., Ltd	The surrogate parent company are the same parent company	302,436	5.95	-		298,134	-
"	Zongka Technology (Shenzhen) Co., Ltd.	"	108,222	2.42	-		74,564	-
	Lotes Hengnan Co., Ltd.	"	80,149	3.69	-		-	-
"	Lotes Zhongshan Co., Ltd.	"	140,452	-	-		72,684	-
"	Lotes Automation (Shenzhen) Co., Ltd.	"	211,505	3.06	-		115,422	-
Lotes Suzhou Co., Ltd	Xincheng Development Co., Ltd.	The surrogate parent company are the same parent company	307,166	4.82	-		82,137	-
Good Hope Investments Limited	REKA Technology Co., Ltd.	Parent company	880,631	-	-		-	-
Lotes Guanghou Co., Ltd	"	The surrogate parent company are the same parent company	1,150,187	6.26	-		1,150,187	-
"	Lotes Zhongshan Co., Ltd.	"	13,574	3.52	-		-	-
	"	"	339,073	-	-		-	-
Lotes Zhongshan Co., Ltd.	REKA Technology Co., Ltd.	"	178,176	10.44	-		178,072	-
Lotes Hengnan Co., Ltd.	Lotes Automation (Shenzhen) Co., Ltd.	"	105,954	3.15	-		-	-
Lintes Technology (Suzhou) Co., Ltd.	Lintes Technology Co., Ltd.	Subsidiary	372,386	4.88	-		-	-

9. Engagement in derivative transactions: Please refer to Note VI (II) and (XIX).

Notes to the Parent Company Only Financial Statements of Lotes Co., Ltd.

(ii) Information on Investment Business:

Information on the Company's investees in 2020 was as follows (excluding investees in China):

Unit: 1,000 TWD

Name of the company investing	Name of investee company	Location	Main business	Initial investment amount (Note 1)		Shares held at the end of the fiscal period			Gain/loss of investee company in the fiscal period	Gain/loss in the investment recognized in the fiscal period	Remarks
				End of this period	End of the previous year	Shares	Percentage	Book Value			
The Company	Lotes Investment Ltd.	Samoa	Holding and investment businesses	741,904	780,979	26,050,000	100.00%	5,201,468	753,814	724,108	Note 2
"	Good Hope Investments Limited	"	"	11,428	12,030	401,281	100.00%	1,531,999	73,651	73,651	
"	Guansi Development Co., Ltd.	"	"	570,068	600,092	20,016,426	100.00%	2,239,442	303,052	299,979	Note 2
"	Zhaxi Investment Co., Ltd.	Anguilla	"	14,240	14,990	500,000	100.00%	121,209	7,595	7,595	
"	Jiayu Investment Co., Ltd.	Taiwan	General investment	690,000	690,000	69,000,000	100.00%	1,044,195	164,471	164,372	
"	Lotes USA, Inc.	USA	Market development	71,200	74,950	2,500,000	100.00%	75,816	30,917	30,917	
"	LOTES EU GmbH	Germany	Market development	3,502	3,359	100,000	100.00%	4,059	183	183	
"	Lerain Technology Co., Ltd.	Taiwan	Design, test and sale of chips	9,385	-	938,525	33.92%	2,687	(6,698)	(6,698)	
"	Mikronpoint Co., Ltd.	"	Manufacturing and trading of mechanical equipment and electronic parts	5,000	-	500,000	100.00%	4,936	(64)	(64)	
Lotes Investment Ltd.	Loteson International Investments Limited	Hong Kong	Holding and investment businesses	741,904	780,979	26,050,000	100.00%	5,367,416	753,814	753,814	
Good Hope Investments Limited	Xincheng Development Co., Ltd.	Samoa	Telecommunication services and sales of connectors for consumer electronics industry	2,848	2,998	100,000	100.00%	1,619	(32)	(32)	
"	REKA Technology Co., Ltd.	Hong Kong	Telecommunication services and sales of connectors for consumer electronics industry	2,884	3,036	101,281	100.00%	649,725	73,682	73,682	
Guansi Development Co., Ltd.	Jae You Co., Ltd.	"	Holding and investment businesses	570,077	600,102	20,016,756	100.00%	2,259,208	303,052	303,052	
Zhaxi Investment Co., Ltd.	Wangden Investments Limited (HK)	"	Holding and investment businesses	14,240	14,990	500,000	100.00%	121,209	7,595	7,595	
Chia-Yu Investment Co., Ltd.	Ememe Robot Co., Ltd	Taiwan	Electric Appliance and Audiovisual Electric Products Manufacturing	69,600	69,600	6,960,000	94.37%	(7,776)	89	(2,691)	
Chia-Yu Investment Co., Ltd.	Compertum Microsystems Inc.	Taiwan	Electronic Parts and Components Manufacturing	26,328	13,164	2,632,800	35.34%	31,152	(29,260)	(11,434)	
"	Good News Medical Co., Ltd.	"	Manufacturing and trading of mechanical equipment, electronic parts and components, and optical instruments.	250	-	25,000	5.00%	191	(1,179)	(59)	
"	Lintes Technology Co., Ltd.	"	Sales of connectors for telecommunicatio	486,926	486,926	29,712,788	52.13%	866,728	271,870	138,170	Note 2

			n industry and for consumer electronics industry								
Lintes Technology Co., Ltd.	Chia-Chun Investment Co., Ltd.	"	General investment	15,000	-	1,500,000	100.00%	15,001	1	1	
"	Genie Precision Machine Co., Ltd.	"	Manufacturing and trading of the molds optical products	164,833	-	14,671,000	60.00%	193,404	31,205	13,121	
"	Compertum Microsystems Inc.	"	Manufacturing of electronic parts and components	14,620	-	877,200	11.77%	10,379	(29,260)	(1,394)	
"	Chi-Lung Co., Ltd.	Samoa	Holding and reinvestment business	140,976	148,401	4,950,000	100.00%	260,223	64,085	84,902	Note 2
Chi-Lung Co., Ltd.	Ru-Hui Co., Ltd.	"	Holding and reinvestment business	140,976	148,401	4,950,000	100.00%	260,223	64,085	84,902	Note 2

Note 1: The original investment amount was converted into New Taiwan dollars using the exchange rate at the balance sheet date.

Note 2: Investment income recognized in the current period includes adjustments for unrealized gains or losses on intercompany transactions.

(iii) Information of Investment in Mainland China

1. Names of investee companies in Mainland China, major business activities, and other related information:

Unit: 1,000 TWD

Name of investee company in Mainland China	Main business	Paid-in capital (Note 3)	Method of investment (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of the fiscal period (Note 3)	Amount remitted or retrieved		Accumulated investment amount remitted from Taiwan at the end of the fiscal period (Note 3)	Gain/loss of investee company in the fiscal period	Shareholding Ratio	Gain/loss in investment recognized in the fiscal period (Note 2)	Carrying amount of investment at the end of the fiscal period	Investment income remitted back to Taiwan by the end of the fiscal period
					Remittance	Retrieved						
Lotes Guanghou Co., Ltd	Manufacturing connectors for telecommunication industry and for consumer electronics industry	760,416	(2)	726,240	-	-	726,240	753,81	100.00%	724,083	5,201,424	-
Lotes Suzhou Co., Ltd	Manufacturing connectors for telecommunication industry and for consumer electronics industry	569,293	(2)	569,293	-	-	569,293	303,05	100.00%	299,978	2,239,989	-
Zongka Technology (Shenzhen) Co., Ltd.	R&D of electronics, import and export of raw materials of plastic products and plastic products	14,240	(2)	14,240	-	-	14,240	7,59	100.00%	7,595	121,209	-
Lotes Hengnan Co., Ltd.	Manufacturing connectors for telecommunication industry and for consumer electronics industry	517,229	(3)	-	-	-	-	113,68	100.00%	99,195	752,131	-
Lintes Technology (Suzhou) Co., Ltd.	Development and production of the measurement instruments for optical communication, optical transceivers of 10GB/s or above and relevant technical support	140,976	(2)	140,976	-	-	140,976	75,09	52.13%	49,997	165,997	-
Shenzhen Deyi Automation Technology Co., Ltd.	Manufacturing of robotic arms, automation equipment and relevant components	109,120	(3)	-	-	-	-	32,67	100.00%	32,670	111,062	-
Lotes Zhongshan Co., Ltd	Manufacturing connectors for telecommunication industry and for consumer electronics industry, and Manufacturing of robotic arms, automation equipment and relevant components	1,440,384	(3)	-	-	-	-	72,15	100.00%	72,157	1,489,027	-
Zhongshan Dezhi Metal Surface Treatment Co., Ltd.	Surface treatment of metal products and plastic products	130,944	(3)	-	-	-	-	(15,116	100.00%	(15,116)	115,540	-
Hengnan Deyi Property Development Co., Ltd.	Development of real estate, lease of premises, landscape design and interior decorating	100,390	(3)	-	-	-	-	(88	100.00%	(1,137)	99,227	-
Guangzhou Leside Technology Co., Ltd.	Research, testing and development	3,055	(3)	-	-	-	-	(1,255	100.00%	(1,255)	80	-
Chongqing Fuxinrui Electronic Technology Co., Ltd.	R&D and sales of electronic components, automobile components and accessories, computers and accessories, development of molds and the import and export of goods and technologies	4,365	(3)	-	-	-	-	(1,484	51.00%	(757)	916	-

Note 1: There are six types of investments:

(1) Investment in Chinese Corporation via Third Region Remittance.

(2) Establishment of a company to reinvest in a continental company through a third regional investment.

(3) Reinvest in Chinese companies by re-investing in existing companies in third regions.

(4) Direct Investment

(5) Others.

(6) NA.

Note 2: The investment gain or loss recognized in the current period has been reconciled with the unrealized gain or loss from intercompany transactions.

Note 3: The balance sheet date exchange rates are used to translate the paid-in capital and remittance of cumulative investment amounts into New Taiwan dollars.

2. **Investment ceiling in Mainland China**:

Company name	Accumulated amount remitted from Taiwan at the end of the fiscal period for investment in Mainland China (Note 1)	Investment amount approved by Investment Commission, MoEA (Note 1)	Investment ceiling in Mainland China according to the regulations made by Investment Commission, MoEA
Lotes Co., Ltd.	1,309,773,000	1,453,750,000	8,099,519,000
Lintes Technology Co., Ltd.	140,976,000	140,976,000	997,621,000

Note 1: The conversions to NTD were made at the exchange rates prevailing on the balance sheet date.

3. Significant transactions with the investee companies in China:

Please refer to the "Significant Transactions" for details of the significant transactions between the Company and its investee companies in Mainland China, directly or indirectly, in 2020.

(iv) Information of Major Shareholders

Share Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Chin-Ling Investment Co., Ltd.	10,956,237	10.58%
Chia-Ming Investment Co., Ltd.	9,797,037	9.46%

Note: (1) The information of major shareholders in this table is based on the last business day of each quarter and is calculated based on the total number of common shares and preferred shares held by shareholders who have completed the delivery of unregistered shares (including treasury shares) of the Company of at least 5%. The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may differ depending on the basis of computation.

(2) The above information is revealed by the trustee's opening of a trust account with individual subaccounts of the principal if the shareholder has delivered his or her shares to the trust. As for any shareholder holding more than 10% of the shares of the Company in accordance with the Securities and Exchange Act, the shareholdings include its own shares plus the shares it has delivered to the trust and has the right to decide on the use of the trust property, etc. Please refer to the Market Observation Post System for information on insider shareholdings.

xiv. Operating Segments

Please refer to the consolidated financial statements for 2020.

Lotes Co., Ltd.

Details of Cash and Cash Equivalents

Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount
Cash and cash equivalents:		
Petty Cash		$ 99
Checks and demand deposits:	TWD	21,304
	Foreign currencies (USD12,740,701.97, HKD4,405,601.17, JPY8,251、EUR318,706.63, RMB18,615,871.22, THB1.67 and VND3,662,008,793)	475,849
		497,153
Time deposit:	TWD Due date: Feb. 19, 2021 Interest rate collar: 1.045%	50
Total		**$ 497,302**

Details of Notes Receivables

Item	Summary	Amount
Non-related parties:		
A company		$ 970
B company		612
C company		420
D company		187
Other (Note)		296
		$ 2,485

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

Details of Accounts Receivable

Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount	
Accounts receivable – related parties		$	13,012
Non-related parties:			
E company		$	408,175
F company			388,256
G company			267,902
H company			244,599
Other (Note)			2,999,054
			4,307,986
Less: Allowance for losses			(3,910)
		$	4,304,076

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Details of Other Receivables

Item	Summary	Amount	
Other receivables – related parties	Mainly service income and capital loans to subsidiaries	$	90,161
Non-related parties:			
Business tax credit and tax refund		$	20,416
Other	Mainly receivables from mold development revenue		800
Subtotal			21,216
Less: Allowance for losses			(1,514)
		$	19,702

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

Details of Inventory

Dec. 31, 2020 **Unit: NT$ thousands**

Item	Amount	Market Price
Products	$ 755,770	710,364
Finished Products	191	108
In-process products	-	-
Raw materials	23	5
Subtotal	755,984	**710,477**
Less: Allowance for decline in value of inventories and doubtful losses	(45,507)	
	$ 710,477	

Note: Allowance for decline in value of inventories and allowance for doubtful accounts is based on the lower of cost or net realizable value and the ageing of inventories, respectively.

Details of Prepayments

Item	Summary	Amount
Prepayment of member fee	Mainly prepayment of annual association fee	$ 1,268
Prepayment	Mainly prepayment of product certification fee	1,250
Prepayment of import fees	Prepayment of sales tax	712
Other (Note)	Mainly prepayment of miscellaneous expenses, etc.	1,320
Total		**$ 4,550**

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

Details of the Changes in Investments Accounted for Using Equity Method

Jan. 1 to Dec. 31, 2020

Unit: NT$ thousands

Name	Beginning Balance		Increase in the Period (Note)		Decrease in the Period (Note)		Ending Balance			Net Market Value or Equity		Provision for collateral or pledge	Remark
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding ratio	Amount	Unit Price	Total Price		
Lotes Investment Limited	2,605,000	$ 4,392,104	-	809,364	-	-	2,605,000	100.00%	5,201,468	-	5,201,468	No	
Chia-Wan Investment Co., Ltd.	401,281	1,537,963	-	-	-	5,964	401,281	100.00%	1,531,999	-	1,531,999	"	
Topmind Technology Development Co., Ltd.	20,016,426	1,902,509	-	336,933	-	-	20,016,426	100.00%	2,239,442	-	2,239,442	"	
Zaxi Investment Co., Ltd.	500,000	111,720	-	9,489	-	-	500,000	100.00%	121,209	-	121,209	"	
Jiayu Investment Co., Ltd.	69,000,000	876,828	-	167,367	-	-	69,000,000	100.00%	1,044,195	-	1,044,195	"	
Lotes USA. Inc.	2,500,000	48,441	-	27,375	-	-	2,500,000	100.00%	75,816	-	75,816	"	
LOTES EU Gmbh	100,000	3,711	-	348	-	-	100,000	100.00%	4,059	-	4,059	"	
Lerain Technology Co., Ltd.	-	-	938,525	2,687	-	-	938,525	33.92%	2,687	-	2,687	"	
Mikronpoint Co., Ltd.	-	-	500,000	4,936	-	-	500,000	100.00%	4,936	-	4,936	"	
		$ 8,873,276		1,358,499		5,964			10,225,811		10,225,811		

Note: The amount includes the increase in investment amount of $14,385 thousand, the recognition of investment income of $1,294,043 thousand, the recognition of cumulative translation adjustment increase of $45,017 thousand, the decrease in capital surplus of $1,313 thousand recognized under the equity method and the recognition of unrealized gain on financial assets of $403 thousand accounted for using the equity method.

Lotes Co., Ltd.

Details of Deferred Tax Assets

Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount
Deferred tax assets		$ 63,572

Details of Other Non-current Assets

Item	Summary	Amount
Refundable deposit		$ 6,027

Details of Notes Payable

Item	Summary	Amount
Non-related parties:		
I company		$ 1,012
J company		233
K company		201
L company		190
M company		143
Other (Note)		933
		$ 2,712

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

Details of Accounts Payable

Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount
Related parties:		
Hsincheng Development Co., Ltd.		$ 288,985
Reka Technology Co., Ltd.		1,728,149
Lintes Technology Co., Ltd.		17,277
		$ 2,034,411
Non-related parties:		
N company		$ 6,278
O company		4,856
Other (Note)		287
		$ 11,421

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Details of Other Payables

Item	Summary	Amount
Other payables – related parties		$ 2,092
Non-related parties:		
Salary payable	Salaries and year-end bonuses are mainly payable.	$ 26,209
Royalties payable	The main component is royalties payable.	50,817
Compensation payable to employees and directors and supervisors	The main component is the estimated compensation to employees and directors and supervisors for 2020.	101,715
Marketing expenses payable	Mainly marketing expenses payable	19,938
Freight and import/export expenses payable	Shipping and customs fees for import and export of goods	21,449
Consulting fees payable	Mainly attributable to system consulting fees	35,325
Commissions payable	Mainly commissions payable	17,649
Other		26,020
Total		$ 299,122
Tax liabilities		$ 305,058

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

Details of Refund liabilities - Current

Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount
Refund liabilities - current	Amount expected to be paid to customers as a result of discounts	$ 161,767

Details of Other Current Liabilities

Item	Summary	Amount
Other current liabilities	Collection of payment	$ 7,866

Provision for Liabilities - Non-current

Item	Summary	Amount
Provision for liabilities - non-current	Provision for employee benefit liabilities	$ 49,258

Lotes Co., Ltd.

Details of Other Non-current Liabilities

Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount
Deposit received		$ 744

Details of Operating Revenue

Jan. 1 to Dec. 31, 2020

Item	Number	Amount
Sales Revenue:		
Common	660,893KPCS	$ 6,963,259
Triangular Trade	713,298KPCS	4,585,643
Less: Return of sales		(21,764)
Discount on sales		(164,703)
Net operating income		$ 11,362,435

Lotes Co., Ltd.

Details of Operating Cost

Jan. 1 to Dec. 31, 2020 **Unit: NT$ thousands**

Item	Amount
Direct raw materials	
Opening Inventory	$ 150
Add: Incoming materials for the period	462
Other	301
Less: Raw materials at the end of the period	(23)
Transfer to merchandise inventory sales	(26)
Other	(176)
Raw material consumption	688
Manufacturing Costs	6,474
Processing Costs	1,952
Transfer of finished goods and merchandise	(706)
Products in process at the beginning of the period	37
Total manufacturing costs	8,445
Add: Opening finished goods	2,228
Goods imported during the period	18,191
Transferred to work-in-progress	1,020
Finished goods at the end of the period	(191)
Other	(1,732)
Cost of finished goods	27,961
Add: Opening goods	608,273
Current period imports	8,895,134
Transfer of raw materials to sales	26
Other	16,258
Less: Ending goods	(755,770)
Transferred to production	(314)
Other	(3,599)
Cost of goods sold	8,760,008
Loss on decline in value of inventories, slump and obsolescence	29,666
Operating Costs	**$ 8,817,635**

Lotes Co., Ltd.

Details of Marketing Fee

Jan. 1 to Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount
Import and export expenses		$ 58,959
Payroll		57,444
Freight fee		58,364
Royalties		51,437
Commission		15,798
Other (Note)		70,673
Total		**$ 312,675**

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Details of Management Fees

Item	Summary	Amount
Salary Expenses		$ 148,938
Labor Costs		17,848
Patent expenses		15,127
Other (Note)		114,010
Total		**$ 295,923**

Note: The balance of each account does not exceed 5% of the amount in this accounting item and is not shown separately.

Lotes Co., Ltd.

Details of Other Net Gains and Losses

Jan. 1 to Dec. 31, 2020 **Unit: NT$ thousands**

Item	Summary	Amount
Non-operating income and benefits.		
Interest income		$ 10,165
Investment income recognized under the equity method		1,294,043
Gain on disposal of property, plant and equipment		136
Sample revenue		5,844
Mold revenue		34,952
Exchange gain		167,054
Rental income		4,956
Compensation income		8,630
Gain on financial assets (liabilities) at fair value through profit or loss		12,205
Gain on reversal of expected credit impairment		1,317
Other		8,132
Total		**$ 1,547,434**
Non-operating expenses and losses.		
Interest expense		$ (1,420)
Exchange loss		(281,849)
Losses on financial assets (liabilities) at fair value through profit or loss		(239)
Other		(8,557)
Total		**$ (292,065)**

Lotes Co., Ltd.

Dec. 31, 2020

Please refer to the following notes for the remaining information on the schedule of significant accounting items:

(1) Details of property, plant and equipment and changes in accumulated depreciation, Note VI (VI).
(2) Details of right-of-use assets and changes in accumulated depreciation, Note VI (VII).
(3) Details of investment property and accumulated depreciation, Note VI (VIII).
(4) Details of changes in intangible assets, Note VI (IX).