

**JIH LIN TECHNOLOGY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE YEARS ENDED  
31 December 2020 AND 2019**

Address: No.58, Jhong Yang Rd., Nanzih Dist., Kaohsiung City 811  
Telephone: 886-7-365-8828

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

# CONSOLIDATED FINANCIAL STATEMENTS

## CONTENT

ITEM	PAGE
1、Cover	1
2、Contact	2
3、Representation Letter	3
4、Independent Auditors' Report	4~7
5、Consolidated balance sheets	8
6、Consolidated statements of comprehensive income	9
7、Consolidated statements of change in equity	10
8、Consolidated statements of cash flows	11
9、Notes to consolidated financial statements	
(1) History and organization	12
(2) Date and procedures of authorization of financial statements for issue	12
(3) Newly issued or revised standards and interpretations	12~16
(4) Summary of significant accounting policies	16~36
(5) Significant accounting judgements, estimates and assumptions	37~38
(6) Contents of significant accounts	39~68
(7) Related party transactions	69~71
(8) Assets pledged as security	71
(9) Commitments and contingencies	71
(10) Losses due to major disasters	72
(11) Significant subsequent events	72
(12) Other	72~80
(13) Additional disclosures	
1. Information at significant transactions and on investees	81、83~85
2. Information on investees	81、86
3. Information on investments in mainland China	81、87~88
4. Information of major shareholders	81、89
(14) Segment information	82

# Representation Letter

The entities that are required to be included in the combined financial statements of JIH LIN TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2020, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, JIH LIN TECHNOLOGY CO., LTD. does not prepare a separate set of combined financial statements.

Very truly yours,  
JIH LIN TECHNOLOGY CO., LTD.  
By

Tasi, Shang-Yen  
Chairperson  
March 22, 2021

## **Independent Auditors' Report**

To JIH LIN TECHNOLOGY CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of JIH LIN TECHNOLOGY CO., LTD. (the "Company") and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

### Revenue recognition

The net revenue recognized by the Company and its subsidiaries in 2020 amounted to NT\$4,347,192 thousand, mainly from the sale of semiconductor wire racks and molds produced and manufactured by the Company. The sale of its finished products of semiconductor lead frame involved different trading terms. It is necessary to determine the performance obligations and the time point of their satisfaction, therefore, we considered the recognition of revenue from contracts with customers as a key audit matter. Our audit procedures included, but were not limited to, assessing the appropriateness of the accounting policies for revenue recognition; evaluate and test the effectiveness of the internal control design and execution of revenue recognition, select samples to perform a detailed test of the transaction and review the significant terms and conditions in the contract to confirm the authenticity of the transaction and the correctness of the time point of recognition; review the significant return and discount of goods in the subsequent period to confirm the correctness of the recognition of sales revenue as of the balance sheet date; perform the sales cut-off point test in the period before and after the balance sheet date and to take samples and verify the relevant vouchers to determine the correctness of the transaction recognition point; use audit sampling for confirmations to verify ending balance and important sales terms for accounts receivable; conduct a journal entry testing and examine the preparation or sale of the goods as a transaction. We also assessed the adequacy of disclosures of operating revenue. Please refer to Notes 4 and 6 to the Company's consolidated financial statements.

### Valuation for inventories

As of December 31, 2020 the Company and its subsidiaries' net inventories amounted to NT\$1,172,173 thousand, which accounted for 22% of total assets and were significant to the Company and its subsidiaries. As the raw material of the inventories is significantly impacted by international copper price, management has to estimate the trend of copper price and assess purchase quantity based on purchase orders and the production schedule, which will impact the valuation of net realizable value of inventories. Therefore, we determined this a key audit matter. Our audit procedures included, but not limited to, assessing the appropriateness of accounting policies for allowance to reduce inventory to market; considering the internal process of the inventory unit cost and the correctness of calculation; verifying the aging interval of inventory aging schedule and recheck the provision for allowance based on inventory aging; conducting analytical procedures on gross margin; assessing the net realizable value determined by management; and reviewing the management's inventory plan and selecting the important stock location for inventory observation to confirm the quantity and the status of the inventory. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the Company's consolidated financial statements.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

### **Others**

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

Lee, Fang-Wen

Chiu, Wan-Ru

Ernst & Young, Taiwan

22 March 2021

Assets		December 31, 2020		December 31, 2019		Liabilities and stockholders' equity		December 31, 2020		December 31, 2019	
Items	Note	Amount	%	Amount	%	Items	Note	Amount	%	Amount	%
<b>Current assets</b>						<b>Current liabilities</b>					
Cash and cash equivalents	4, 6.(1)	\$1,154,647	21	\$706,751	14	Short-term borrowings	6.(10)	\$221,040	4	\$532,720	11
Financial assets at fair value through profit or loss-current	4, 6.(2).(11), 12.(8)	838	0	—	—	Contract liabilities	6.(15)	8,661	0	1,676	0
Notes receivable, net	4, 6.(3).(16)	30,926	1	32,204	1	Account payables		348,869	7	252,912	5
Account receivable, net	4, 6.(4).(16)	970,994	18	993,814	19	Account payables to related parties	7	13	0	16	0
Account receivables from related parties, net	4, 6.(4).(16), 7	245	0	1,801	0	Other payables		130,310	3	136,401	3
Other receivable		71,633	1	81,723	2	Other payables to related parties	7	7,531	0	11,108	0
Other receivable from related parties	7	—	—	601	0	Current tax liabilities	4, 6.(21)	20,270	0	1,585	0
Current tax assets	4, 6.(21)	5,576	0	6,149	0	Current lease liabilities, non related parties	4, 6.(17)	3,110	0	3,022	0
Inventories	4, 6.(5)	1,172,173	22	1,127,877	22	Current lease liabilities, related parties	4, 6.(17), 7	5,478	0	4,253	0
Prepayments	4, 6.(13)	47,268	1	36,950	1	Patable Bond that will mature within one year	4, 6.(11)	573,007	11	—	—
Other current assets		192	0	245	0	Current portion of long-term borrowings	6.(12)	111,667	2	186,667	4
<b>Total current assets</b>		<b>3,454,492</b>	<b>64</b>	<b>2,988,115</b>	<b>59</b>	Other current liabilities		2,748	0	1,755	0
						<b>Total current liabilities</b>		<b>1,432,704</b>	<b>27</b>	<b>1,132,115</b>	<b>23</b>
<b>Non-current assets</b>						<b>Non-current liabilities</b>					
Property, plant, and equipment	4, 6.(6), 7, 8	1,469,463	27	1,496,636	30	Financial liabilities at fair value through profit or loss-non-current	4, 6.(2).(11), 12.(8)	—	—	7,922	0
Right-of use assets	4, 6.(17), 7	103,668	2	193,597	4	Bonds payable	4, 6.(11)	—	—	563,636	11
Investment property, net	4, 6.(7), 7, 12.(8)	244,539	5	250,959	5	Long-term borrowings	6.(12)	1,404,065	26	623,290	13
Intangible assets	4, 6.(8)	4,567	0	5,862	0	Deferred tax liabilities	4, 6.(21)	64,624	1	62,636	1
Deferred tax assets	4, 6.(21)	68,046	1	70,546	1	Non-current lease liabilities, non related parties	4, 6.(17)	107,893	2	111,003	2
Other non-current assets	6.(9)	41,007	1	49,575	1	Non-current lease liabilities, related parties	4, 6.(17), 7	15,206	0	103,340	2
<b>Total non-current assets</b>		<b>1,931,290</b>	<b>36</b>	<b>2,067,175</b>	<b>41</b>	Other non-current liabilities others		10,000	0	10,000	0
						Net defined benefit liability, non-current	4, 6.(13)	—	—	1,048	0
						<b>Total non-current liabilities</b>		<b>1,601,788</b>	<b>29</b>	<b>1,482,875</b>	<b>29</b>
						<b>Total liabilities</b>		<b>3,034,492</b>	<b>56</b>	<b>2,614,990</b>	<b>52</b>
						<b>Equity attributable to owners of the parent</b>					
						Capital					
						Common stock	6.(14)	940,893	18	940,893	19
						Total capital		940,893	18	940,893	19
						Capital surplus	6.(14)	721,838	13	878,026	17
						Retained earnings	6.(14)				
						Legal reserve		195,995	3	174,174	3
						Special reserve		93,999	2	45,248	1
						Unappropriated earnings		479,611	9	495,958	10
						Total retained earnings		769,605	14	715,380	14
						Other equity		(81,046)	(1)	(93,999)	(2)
						Total equity attributable to owner of the parent		2,351,290	44	2,440,300	48
						Total equity		2,351,290	44	2,440,300	48
<b>Total assets</b>		<b>\$5,385,782</b>	<b>100</b>	<b>\$5,055,290</b>	<b>100</b>	<b>Total liabilities and equity</b>		<b>\$5,385,782</b>	<b>100</b>	<b>\$5,055,290</b>	<b>100</b>

## JIH LIN TECHNOLOGY CO., LTD AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

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

Items	Note	2020		2019	
		Amount	%	Amount	%
Net revenue	4, 6.(15), 7	\$4,347,192	100	\$4,458,146	100
Cost of goods sold	4, 6.(5).(18), 7	(3,721,172)	(86)	(3,749,499)	(84)
Gross profit		626,020	14	708,647	16
Operating expenses	4, 6.(18)				
Selling expenses		(97,103)	(2)	(104,536)	(2)
Administration expenses		(253,386)	(6)	(276,556)	(6)
Research and development expenses		(49,968)	(1)	(64,066)	(2)
Expected credit gains	4, 6.(16)	5	0	1,341	0
Total operating expenses		(400,452)	(9)	(443,817)	(10)
Operating income		225,568	5	264,830	6
Non-operating income and expenses					
Interest income	6.(19)	6,512	0	6,065	0
Other income	6.(19)	11,592	0	7,690	0
Other gains and losses	6.(19)	(50,336)	(1)	(3,732)	(0)
Finance costs	6.(19)	(27,413)	(0)	(34,093)	(1)
Total non-operating income and expenses		(59,645)	(1)	(24,070)	(1)
Net income before income tax		165,923	4	240,760	5
Income tax expense	4, 6.(21)	(36,885)	(1)	(22,545)	(0)
Net income of continuing operations		129,038	3	218,215	5
Net income		129,038	3	218,215	5
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plan	6.(20)	459	(0)	(1,461)	(0)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6.(20)	16,191	0	(60,931)	(1)
Income tax related to items that may be reclassified subsequently to profit or loss	6.(20).(21)	(3,238)	(0)	12,180	0
Total other comprehensive income (loss), net of tax		13,412	(0)	(50,212)	(1)
Total comprehensive income		\$142,450	3	\$168,003	4
Net income attributable to:					
Owners of the parent	4, 6.(22)	\$129,038	3	\$218,215	5
Total comprehensive income attributable to:					
Owners of the parent	4, 6.(22)	\$142,450	3	\$168,003	4
Earnings per share (Expressed in NTD)					
Basic earnings per share		\$1.37		\$2.46	
Diluted earnings per share		\$1.34		\$2.34	

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 JIH LIN TECHNOLOGY CO., LTD AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 For the years ended December 31, 2020 and 2019  
 (Amounts in thousands of New Taiwan Dollars)

Items	Equity attributable to owners of the parent							Total Equity
	Common stock	Certificate of Bond-to-stock Conversion	Capital surplus	Retained earnings			Other Equity	
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign operations	
Balance as of January 1, 2019	\$842,700	\$3,434	\$636,007	\$136,092	\$34,253	\$632,889	\$(45,248)	\$2,240,127
Appropriation and distribution of 2018 retained earnings:								
Legal reserve	—	—	—	38,082	—	(38,082)	—	—
Special reserve	—	—	—	—	10,995	(10,995)	—	—
Cash dividends	—	—	—	—	—	(304,608)	—	(304,608)
Profit for the year ended December 31, 2019	—	—	—	—	—	218,215	—	218,215
Other comprehensive income for the years ended December 31, 2019	—	—	—	—	—	(1,461)	(48,751)	(50,212)
Total comprehensive income	—	—	—	—	—	216,754	(48,751)	168,003
Convertible Securities Conversion	98,193	(98,193)	—	—	—	—	—	—
Certificates of Bond-to-stock Conversion	—	94,759	242,019	—	—	—	—	336,778
Balance as of December 31, 2019	\$940,893	—	\$878,026	\$174,174	\$45,248	\$495,958	\$(93,999)	\$2,440,300
Balance as of January 1, 2020	\$940,893	—	\$878,026	\$174,174	\$45,248	\$495,958	\$(93,999)	\$2,440,300
Appropriation and distribution of 2019 retained earnings:								
Legal reserve	—	—	—	21,821	—	(21,821)	—	—
Special reserve	—	—	—	—	48,751	(48,751)	—	—
Cash dividends	—	—	(156,188)	—	—	(75,272)	—	(231,460)
Profit for the year ended December 31, 2020	—	—	—	—	—	129,038	—	129,038
Other comprehensive income for the years ended December 31, 2020	—	—	—	—	—	459	12,953	13,412
Total comprehensive income	—	—	—	—	—	129,497	12,953	142,450
Balance as of December 31, 2020	\$940,893	—	\$721,838	\$195,995	\$93,999	\$479,611	\$(81,046)	\$2,351,290

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 JIH LIN TECHNOLOGY CO., LTD AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2020 and 2019  
 (Amounts in thousands of New Taiwan Dollars)

Items	2020	2019
	Amount	Amount
Cash flows from operating activities:		
Net income before income tax	\$165,923	\$240,760
Adjustments:		
The profit or loss items:		
Depreciation	196,357	201,724
Amortization	2,557	3,279
Expected credit (profit)	(5)	(1,341)
Net loss of financial assets and liabilities at fair value through profit or loss	(8,760)	1,052
(Gain) Loss on disposal of property, plant and equipment	(114)	1,156
Interest expense	27,413	34,093
Interest income	(6,512)	(6,065)
Other	1,325	9,201
Subtotal	212,261	243,099
Changes in operating assets and liabilities:		
Changes in operating assets		
Decrease in notes receivable	1,278	20,357
Decrease (Increase) in account receivable	22,825	(36,115)
Decrease in account receivables from related parties	1,556	139
Decrease in other receivable	10,122	7,444
Decrease (Increase) in other receivable from related parties	601	(601)
(Increase) in inventories	(44,441)	(35,679)
(Increase) Decrease in prepayments	(9,859)	1,906
Decrease in other current assets	53	25,703
Changes in operating liabilities		
Increase (Decrease) in contract liabilities	6,985	(1,775)
Increase (Decrease) in account payable	95,957	(70,189)
(Decrease) in account payable from related parties	(3)	(11)
(Decrease) in other payables	(5,993)	(42,286)
(Decrease) Increase in other payables from related parties	(3,577)	69
Increase (Decrease) in other current liabilities	993	(848)
(Decrease) Net defined benefit liabilities	(1,048)	—
Total changes in operating assets and liabilities	75,449	(131,886)
Cash generated from operations activities	453,633	351,973
Interest received	6,480	6,011
Income tax paid	(16,377)	(65,154)
Net cash provided by operating activities	443,736	292,830
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(119,215)	(156,723)
Proceeds from disposal of property, plant and equipment	2,525	319
Acquisition of intangible assets	(831)	(420)
(Decrease) in other non-current assets	(23,023)	(96,985)
Net cash (used in) investing activities	(140,544)	(253,809)
Cash flows from financing activities:		
(Decrease) Increase in short-term borrowings	(311,680)	49,194
Increase in long-term borrowings	1,012,442	451,624
Repayment of long-term borrowings	(306,667)	(286,667)
Repayment of lease liabilities	(10,251)	(10,233)
Cash dividend	(231,460)	(304,608)
Interest paid	(16,028)	(17,840)
Net cash provided by (used in) financing activities	136,356	(118,530)
Effect of exchange rate changes on cash and cash equivalents	8,348	(40,331)
Net Increase (Decrease) in cash and cash equivalents	447,896	(119,840)
Cash and cash equivalents, beginning of period	706,751	826,591
Cash and cash equivalents, end of period	\$1,154,647	\$706,751

English Translation of Financial Statements Originally Issued in Chinese  
 JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019  
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

JIH LIN TECHNOLOGY CO., LTD. (the Company) was incorporated on 18 October 2000. The Company's registered address is No.58, Jhong Yang Rd., Nanzih Dist., Kaohsiung City. The principal activities of the Company are to tooling manufacture、lead frame manufacture and sales service. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on 25 February, 2014.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2020 and 2019 were authorized for issue by the board of directors on 22 March 2021.

3. Newly issued or revised standards and interpretations

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

The Group adopted International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2020. The adoption of these new standards and amendments had no material impact on the Group.

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

Item	New, Revised or Aemnded Standards and Interpretaions	Effective date issued by IASB
A	Interest Rate Benchmark Reform-Phase 2(Amendemnets to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16)	January 1, 2021

A. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 "Financial Instruments" ("IFRS 9"), IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7"), IFRS 4 "Insurance Contracts" ("IFRS 4") and IFRS 16 "Leases" (IFRS 16)

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

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

Upon evaluation, the adoption of abovementioned amendments, which are to take effect for annual periods beginning on January 1, 2021, will not have a significant effect on the Group.

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

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

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

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

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

#### B. IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

(a) IFRS 3 “Business Combination” (“IFRS 3”) (Amendment)

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

(b) IAS 16 “Property, Plant and Equipment” (Amendment)

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

(c) IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts- Cost of Fulfilling a Contract (Amendment)

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

(d) Annual Improvements to IFRS Standards 2018-2020

IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”) (Amendment)

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

IFRS 9 “Financial Instruments” (Amendment)

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

IFRS 16 “Leases” (“IFRS 16”) (Amendment to Illustrative Example)

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

(e) Disclosure Initiative - Accounting Policies - Amendments to IAS 1

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

(f) Definition of Accounting Estimates—Amendments to IAS 8

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group evaluated that the newly issued or amended standards and interpretations had no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRSs, IASs, IFRIC and SIC, which are endorsed by FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has :

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including :

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary
- B. derecognizes the carrying amount of any non-controlling interest
- C. recognizes the fair value of the consideration received
- D. recognizes the fair value of any investment retained
- E. recognizes any surplus or deficit in profit or loss
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			2020.12.31	2019.12.31
The Company	Speedy Investment Limited	Investment holding	100.00%	100.00%
The Company	Jih Li Technology Co., Ltd	Lead frame manufacture and sales service	100.00%	100.00%
The Company	Jih-Linchpin Limited	Investment holding	100.00%	100.00%
The Company	SH Precision Co., Ltd	Lead frame manufacture and sales service	100.00%	100.00%
The Company	Malaysian SH Precision Sdn. Bhd.	Lead frame manufacture and sales service	100.00%	100.00%

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			2020.12.31	2019.12.31
Speedy Investment Limited	Jinan Jihlong Technology Co., Ltd.	Lead frame manufacture and sales service	100.00%	100.00%
Jih-Linchpin Limited	Suzhou SH Precision Co., Ltd.	Lead frame manufacture and sales service	100.00%	100.00%

#### (4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

(6) Current and non-current distinction

An asset is classified as current when :

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

All other assets are classified as non-current.

A liability is classified as current when :

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading

- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

#### (7) Cash and cash equivalents

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

#### (8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

##### A. Financial instruments: Recognition and Measurement.

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

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

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

##### Financial assets measured at amortized cost

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

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

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

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

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

#### Financial asset measured at fair value through other comprehensive income

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

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

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

- (a) a gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

- (b) when the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - I. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - II. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

#### Financial asset measured at fair value through profit or loss

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

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

#### B. Impairment of financial assets

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

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

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

The loss allowance is measures as follows :

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

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

### C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

#### D. Financial liabilities and equity

##### Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

##### Compound instruments

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

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

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

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

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

### Financial liabilities

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

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

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

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

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

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

### Financial liabilities at amortized cost

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

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

### Derecognition of financial liabilities

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

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

#### E. Offsetting of financial instruments

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

#### (9) Derivative instrument

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

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

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative.

#### (10) Fair value measurement

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

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

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

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

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

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

#### (11) Inventories

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

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

Raw materials –Purchase cost on weighted average cost basis

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

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

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

## (12) Property, plant and equipment

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

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

Buildings	5~50 years
Machinery and equipment	2~16 years
Tooling equipment	2~5 years
Office equipment	3~10 years
Transportation equipment	5~6 years
Leasehold improvements	8~11 years
Other equipment	2~10 years

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

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

### (13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	40 years
Right-of-use assets	20 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company decides to transfer to or from investment properties based on the actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

### (14) Leases

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

- A. the right to obtain substantially all of the economic benefits from use of the identified asset;  
and
- B. the right to direct the use of the identified asset.

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

#### Group as a lessee

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

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

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

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

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

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

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

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

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

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associated with those leases in the consolidated income statement.

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

#### Group as a lessor

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

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

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

#### (15) Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Computer software</u>
Useful lives	Finite (3 years)
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

## (16) Impairment of non-financial assets

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

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

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

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

## (17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

## (18) Revenue recognition

The Group's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follows:

### Sale of goods

The Group manufactures and sells merchandise. Sales are recognized when goods have been shipped and customers have obtained the control (the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits from the goods). The main product of the Group is semiconductor lead frame and tooling and revenue is recognized based on the consideration stated in the contract. Sales by volume discounts, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Group uses the previous experience to estimate volume discounts. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The credit period of the Group's sale of goods is from 30 to 180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Group transfers the goods to customers and when the customers pay for that goods is usually short and there is no significant financing component to the contract.

## (19) Borrowing costs

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

## (20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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

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

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

## (21) Income taxes

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

### Current income tax

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

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

### Deferred tax

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

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

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

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

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

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

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

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

## 5. Significant accounting judgements, estimates and assumptions

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

### (1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### A. Investment property

The Group uses part of the property for its own use and part to earn rentals or for capital appreciation. When the respective parts could be solely sold, to determine treatment are investment property and property, plant and equipment.

#### B. Commitment to operating lease - the Group is the Lessor

The Group has signed commercial property agreements toward some investment property portfolios. Based on its evaluation of the agreed terms, the Group still retains significant risks and rewards of ownership of these properties and treats these leases as operating leases.

### (2) Estimates and assumptions

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

#### A. Fair value of financial instruments

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

B. Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

C. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could cause future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	31 Dec. 2020	31 Dec. 2019
Cash on hand	\$889	\$978
Demand deposits	795,834	446,483
Time deposits	357,924	259,290
Total	<u>\$1,154,647</u>	<u>\$706,751</u>

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

	31 Dec. 2020	31 Dec. 2019
Financial assets mandatorily measured at fair value through profit or loss :		
Derivatives not designated as hedging instruments		
Convertible bonds	\$(838)	\$7,922
	<u>\$(838)</u>	<u>\$7,922</u>
	31 Dec. 2020	31 Dec. 2019
Current	\$(838)	—
Non-current	—	\$7,922
Total	<u>\$(838)</u>	<u>\$7,922</u>

Financial assets at fair value through profit or loss were not pledged.

(3) Notes receivables and Notes receivables -related parties

	31 Dec. 2020	31 Dec. 2019
Notes receivables arising from operating activities	\$30,926	\$32,204
Subtotal (carrying amount)	30,926	32,204
Less: loss allowance	—	—
Subtotal	<u>30,926</u>	<u>32,204</u>
Notes receivables arising from operating activities (related parties)	—	—
Subtotal (carrying amount)	—	—
Less: loss allowance	—	—
Subtotal	<u>—</u>	<u>—</u>
Total	<u>\$30,926</u>	<u>\$32,204</u>

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.(16) for more details on loss allowance and Note 12 for details on credit risk.

(4) Trade receivables and Trade receivables -related parties

	31 Dec. 2020	31 Dec. 2019
Trade receivables	\$971,018	\$993,843
Subtotal (carrying amount)	971,018	993,843
Less: loss allowance	(24)	(29)
Subtotal	970,994	993,814
Trade receivables-related parties	245	1,801
Subtotal (carrying amount)	245	1,801
Less: loss allowance	—	—
Subtotal	245	1,801
Total	\$971,239	\$995,615

Trade receivables were not pledged.

Trade receivables are generally on 30 to 180 day terms. The total carrying amount as of 31 December 2020 and 31 December 2019 are \$971,263 thousand and \$995,644 thousand respectively. Please refer to Note 6.(16) for more details on loss allowance of trade receivables for the year ended 31 December 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	31 Dec. 2020	31 Dec. 2019
Raw materials	\$456,912	\$447,562
Supplies	48,914	37,202
Work in progress	213,149	233,404
Finished goods	453,198	409,709
Total	\$1,172,173	\$1,127,877

	31 Dec. 2020	31 Dec. 2019
Cost of inventories sold	\$3,719,847	\$3,744,215
Loss on inventory valuation	1,325	5,284
Cost of goods sale	\$3,721,172	\$3,749,499

The cost of inventories recognized in expenses amounted to \$3,721,172 thousand and \$3,749,499 thousand for the ended 31 December 2020 and 2019, respectively, including the write-down of inventories of \$1,325 thousand and \$5,284 thousand which was affected by international copper price variation.

As of December 31, 2020 and 2019, inventories were insured for \$396,199 thousand and \$186,215 thousand, respectively.

Inventories were not pledged.

(6) Property, plant and equipment

	31 Dec. 2020							31 Dec. 2019		
Owner occupied property, plant and equipment	\$1,469,463							\$1,496,636		
A. Owner occupied property, plant and equipment										
	Land	Buildings	Machinery and equipment	Tooling equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost: :										
As at 1 Jan. 2020	\$47,091	\$931,045	\$1,030,628	\$310,776	\$30,482	\$25,124	\$9,360	\$45,717	\$100,627	\$2,530,850
Additions	—	7,676	14,502	23,817	9,269	125	271	3,114	60,441	119,215
Disposals	—	(5,513)	(47,888)	(36,320)	(4,797)	(394)	—	(6,768)	—	(101,680)
Transfers	—	10,134	33,829	15,177	65	—	—	—	(32,358)	26,847
Exchange differences	39	6,172	11,467	4,097	92	66	—	409	156	22,498
As at 31 Dec. 2020	\$47,130	\$949,514	\$1,042,538	\$317,547	\$35,111	\$24,921	\$9,631	\$42,472	\$128,866	\$2,597,730
As at 1 Jan. 2019	\$47,377	\$1,144,851	\$968,357	\$256,821	\$21,192	\$23,434	\$9,360	\$39,489	\$66,517	\$2,577,398
Additions	—	6,181	36,607	17,981	5,183	1,854	—	6,329	82,588	156,723
Disposals	—	(13,963)	(14,111)	(15,702)	(312)	—	—	(301)	—	(44,389)
Transfers	—	(191,035)	65,387	52,910	4,663	61	—	982	(47,092)	(114,124)
Exchange differences	(286)	(14,989)	(25,612)	(1,234)	(244)	(225)	—	(782)	(1,386)	(44,758)
As at 31 Dec. 2019	\$47,091	\$931,045	\$1,030,628	\$310,776	\$30,482	\$25,124	\$9,360	\$45,717	\$100,627	\$2,530,850

	Land	Buildings	Machinery and equipment	Tooling equipment	Office equipment	Transportatio n equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:										
As at 1 Jan. 2020	—	\$170,780	\$630,507	\$169,986	\$13,244	\$17,688	\$4,665	\$27,344	—	\$1,034,214
Depreciation	—	40,176	63,577	64,430	4,768	2,366	872	5,329	—	181,518
Disposals	—	(5,513)	(46,411)	(35,473)	(4,797)	(364)	—	(6,711)	—	(99,269)
Transfers	—	—	(2,060)	(1,590)	—	—	—	—	—	(3,650)
Exchange differences	—	3,409	8,601	3,051	44	56	—	293	—	15,454
As at 31 Dec. 2020	—	\$208,852	\$654,214	\$200,404	\$13,259	\$19,746	\$5,537	\$26,255	—	\$1,128,267
As at 1 Jan. 2019	—	\$153,132	\$592,961	\$129,979	\$9,975	\$14,466	\$3,798	\$22,685	—	\$926,996
Depreciation	—	39,758	69,958	63,978	3,744	3,365	867	5,513	—	187,183
Disposals	—	(14,132)	(12,179)	(15,997)	(307)	—	—	(299)	—	(42,914)
Transfers	—	—	—	(109)	—	—	—	—	—	(109)
Exchange differences	—	(7,978)	(20,233)	(7,865)	(168)	(143)	—	(555)	—	(36,942)
As at 31 Dec. 2019	—	\$170,780	\$630,507	\$169,986	\$13,244	\$17,688	\$4,665	\$27,344	—	\$1,034,214
Net carrying amount as at :										
31 Dec. 2020	\$47,130	\$740,662	\$388,324	\$117,143	\$21,852	\$5,175	\$4,094	\$162,17	\$128,866	\$1,469,463
31 Dec. 2019	\$47,091	\$760,265	\$400,121	\$140,790	\$17,238	\$7,436	\$4,695	\$18,373	\$100,627	\$1,496,636

- B. The significant part of the Group's buildings included primary buildings, renovation and decoration works, the useful life were 25~50 years and 5~8 years, respectively.
- C. The amounts of capitalization of borrowing costs were \$0 in both 2020 and 2019.
- D. Please refer to Note 8 for more details on property, plant and equipment under pledge.

#### (7) Investment property

The Company's investment properties include both owned investment properties and investment properties held by the Company as right-of-use assets.

The Company has entered into commercial property leases for its owned investment properties with terms 10 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The investment properties

held by the Company as right-of-use assets with non-cancellable period of 10 years. Some of these contracts provide the Company options to extend the leases.

	Buildings	Right-of-use assets	Total
Cost :			
As of January 1, 2020	\$212,391	\$45,001	\$257,392
Transfer in from property, plant and equipment	—	—	—
As of December 31, 2020	<u>\$212,391</u>	<u>\$45,001</u>	<u>\$257,392</u>
As of January 1, 2019	—	—	—
Additions from adoption of IFRS 16 ransfer in from property, plant and equipment	—	\$45,001	\$45,001
	<u>\$212,391</u>	—	<u>212,391</u>
As of December 31, 2019	<u>\$212,391</u>	<u>\$45,001</u>	<u>\$257,392</u>

Depreciation and impairment :

As of January 1, 2020	\$5,310	\$1,123	\$6,433
Depreciation	5,310	1,110	6,420
As of December 31, 2020	<u>\$10,620</u>	<u>\$2,233</u>	<u>\$12,853</u>
As of January 1, 2019	—	—	—
Depreciation	\$5,310	\$1,123	\$6,433
As of December 31, 2019	<u>\$5,310</u>	<u>\$1,123</u>	<u>\$6,433</u>

	Buildings	Right-of-use assets	Total
Net carrying amount as of :			
December 31, 2020	<u>\$207,771</u>	<u>\$42,768</u>	<u>\$244,539</u>
December 31, 2019	<u>\$207,081</u>	<u>\$43,878</u>	<u>\$250,959</u>

	2020	2019
Rental income from investment properties	<u>\$24,000</u>	<u>\$24,000</u>

Investment property were not pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties were categorized within Level 3. The fair value of investment property is \$225,448 thousand as of December 31, 2020 and 2019. The fair value has been determined based on valuations performed by an independent appraiser and on transactions observable in the market.

For those right-of-use assets leased as operating leases and presented in investment properties, please refer to Note 6. (17) for relevant disclosure as required by IFRS 16.

(8) Intangible assets

A.Details was as follows:

	<u>Computer software</u>
Cost:	
As at 1 Jan. 2020	\$17,590
Addition-acquired separately	831
Transfers	—
Disposals	(465)
Exchange differences	47
As at 31 Dec. 2020	<u>\$18,003</u>
As at 1 Jan. 2019	\$16,050
Addition-acquired separately	420
Transfers	1,372
Disposals	(75)
Exchange differences	(177)
As at 31 Dec. 2019	<u>\$17,590</u>
Amortization and Impairment:	
As at 1 Jan. 2020	\$11,728
Amortization	2,139
Transfers	—
Disposals	(465)
Exchange differences	34
As at 31 Dec. 2020	<u>\$13,436</u>
As at 1 Jan. 2019	\$10,008
Amortization	1,942
Transfers	—
Disposals	(75)
Exchange differences	(147)
As at 31 Dec. 2019	<u>\$11,728</u>
Net carrying amount as at:	
31 Dec. 2020	<u>\$4,567</u>
31 Dec. 2019	<u>\$5,862</u>

B. The cost of computer software is ERP computer software, which is amortized evenly over 3 years.

C. Amortization expense of intangible assets under the statement of comprehensive income :

	31 Dec. 2020	31 Dec. 2019
Operating costs	\$334	\$216
Operating expenses	\$1,805	\$1,726

(9) Other non-current assets

	31 Dec. 2020	31 Dec. 2019
Advance payments in equipments	\$36,723	\$44,318
Refundable deposits	2,117	2,197
Other non-current assets - other	2,167	3,060
Total	\$41,007	\$49,575

(10) Short-term loans

A. Details of short-term loans as of December 31, 2020 was as follows:

	31 Dec. 2020	31 Dec. 2019
Secured loan	\$221,040	\$267,720
Unsecured loans	—	265,000
Total	\$221,040	\$532,720

B. Interest rate ranges and due date :

	31 Dec. 2020	31 Dec. 2019
Interest rates	0.86%~1.25909%	0.86%~1.24727%
Due date	2021.1.29~2021.3.25	2020.1.2~2020.6.12
Unused short-term lines of credits amounted	\$2,207,278	\$1,932,907

C. Please refer to Note 8 for more details on property, plant and equipment under pledge.

(11) Bonds payable

	31 Dec. 2020	31 Dec. 2019
Second domestic unsecured convertible bonds	\$573,007	\$563,636
Less: Current portion	(573,007)	—
Net	—	\$563,636

Second domestic unsecured convertible bonds

Item	31 Dec. 2020	31 Dec. 2019
The liability component :		
Unsecured domestic bonds payable	\$600,000	\$600,000
Less: Discounts on bonds payable	(26,993)	(36,364)
Subtotal	573,007	563,636
Less: Current portion	(573,007)	—
Net	—	\$563,636
Embedded Derivative	\$(838)	\$7,922
The Equity component	\$35,522	\$35,522

On October 17, 2018, the Company issued zero coupon convertible bonds. The convertible bonds is in accordance with the terms of the contract, component elements include: bonds, embedded derivative (issuer's redeemable option and the holder's option to request the issuer to redeem) and equity component (the holder can request the option to convert into the issuer's ordinary shares). The terms and conditions of the bonds are as follows:

Issue Amount: NT\$600,000 thousand

Period: October 17, 2018 ~ October 17, 2023 (Maturity date)

Redemption and put options :

- A. The closing price of the company's common stock will continue from the day following the issuance date (January 18, 2019) to the forty day before the expiration of the issuance period (September 7, 2023). When 30 business days exceed 30% (inclusive) of the conversion price of the conversion bond, the company may notify within 30 business days to recover the converted bonds out of circulation in cash based on the bond denomination.
- B. The Company may redeem the bonds, in whole, but not in part, at the Early Redemption Amount if at least 90% in principal amount of the bonds has already been converted, redeemed or repurchased and cancelled.
- C. All or any portion of the bonds will be redeemable at Early Redemption Amount at the option of bondholders on October 17, 2021 (put options date) at the principal amount.

Terms of Conversion:

- A. Underlying Securities: Ordinary shares of the Company.
- B. Conversion Period: The bonds are convertible at any time on or after January 18, 2019 and prior to October 17, 2023, into the Company ordinary shares.
- C. Conversion Price and Adjustment: The conversion price was originally NT\$85 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. The conversion price were NT\$76.25 and NT\$80.53 per share for the ended 31 December 2020 and 2019, respectively.
- D. Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds at the principal amount

The bonds have not been converted as of December 31, 2020 and 2019.

(12) Long-term borrowings

A. Details of long-term loans as of December 31, 2020 was as follows:

Creditor	31 Dec. 2020	rate (%)	Redemption
Unsecured Mid-to Long - Term Loan from Hua Nan Bank	25,000	1.12%	The loan amount is 100,000 thousand. Since October 20, 2018, principal is repaid at 8,333 thousand in 12 quarterly payments with monthly interest payments. As of December 31, 2020, one to nine principals have been repaid, and the principal for each period is 8,333 thousand.
Unsecured Mid-to Long - Term Loan from First Commercial Bank	16,667	1.25%	The loan amount is 100,000 thousand. Since December 27, 2018, principal is repaid at 16,667 thousand in 6 semi- annual payments with monthly interest payments. As of December 31, 2020, one to five principals have been repaid, and the principal for each period is 16,667 thousand.
Unsecured Mid-to Long - Term Loan from First Commercial Bank	40,000	1.25%	The loan amount is 120,000 thousand. Since February 14, 2019, principal is repaid at 20,000 thousand in 6 semi- annual payments with monthly interest payments. As of December 31, 2020, one to four principals have been repaid, and the principal for each period is 20,000 thousand.
Unsecured Mid-to Long - Term Loan from Bank of Taiwan	90,000	1.1146%	The loan amount is 150,000 thousand. Since January 12, 2019, principal is repaid at 7,500 thousand in 20 quarterly payments with monthly interest payments. As of December 31, 2020, one to eight principals have been repaid, and the principal for each period is 7,500 thousand.
Syndication unsecured loan- B	300,000	1.406%	The loan amount is 300,000 thousand. Effective December 17, 2020 to September 20, 2025. Repayment of principal.
Syndication unsecured loan- B	600,000	1.451%	The loan amount is 600,000 thousand. Effective December 18, 2020 to September 20, 2025. Repayment of principal.

Creditor	31 Dec. 2020	rate (%)	Redemption
Unsecured Mid-to Long - Term Loan from E. Sun Bank – Operation Revolving (Note)	100,000	0.50%	The loan amount is 100,000 thousand. Since August 15, 2022, principal is repaid at 2,083 thousand in 48 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Taishin Bank – Operation Revolving (Note)	50,000	0.50%	The loan amount is 50,000 thousand. Since July 15, 2022, principal is repaid at 1,923 thousand in 26 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Chang Hwa Bank – Operation Revolving (Note)	50,000	0.60%	The loan amount is 50,000 thousand. Since October 15, 2022, principal is repaid at 1,064 thousand in 47 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Bank of Taiwan – Operation Revolving (Note)	60,000	0.50%	The loan amount is 60,000 thousand. Since November 15, 2022, principal is repaid at 1,250 thousand in 48 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from First Commercial Bank – Operation Revolving (Note)	48,775	0.50%	The loan amount is 48,775 thousand. Since December 15, 2022, principal is repaid at 1,016 thousand in 48 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from E. Sun Bank – Machinery (Note)	66,200	0.50%	The loan amount is 66,200 thousand. Since August 15, 2022, principal is repaid at 1,379 thousand in 48 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Taishin Bank – Machinery (Note)	49,200	0.50%	The loan amount is 49,200 thousand. Since July 15, 2022, principal is repaid at 1,968 thousand in 25 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Chang Hwa Bank – Machinery (Note)	2,610	0.60%	The loan amount is 2,610 thousand. Since November 15, 2022, principal is repaid at 1,968 thousand in 31 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Bank of Taiwan – Machinery (Note)	17,280	0.50%	The loan amount is 14,640 thousand. Since November 15, 2022, principal is repaid at 360 thousand in 48 quarterly payments with monthly interest payments.
Less: Due within one year	(111,667)		
Total	<u>\$1,404,065</u>		

Note : The Company apply 「 Action Plan for Overseas Taiwanese Businesses to Return to Invest in Taiwan 」 , restricted use of financing for plant facilities or purchase of machinery and equipment and operation revolving fund. Interest rate ranges and due date as follow :

Item	31 Dec 2020	31 Dec 2020
	Operation Revolving	Machinery
Interest rate ranges	0.50%~0.60%	0.50%~0.60%
Due date	August 21,2024~ November 15, 2026	August 6,2024~ October 15, 2029
Unused mid-to long-term lines of credits amounted	\$1,225	\$174,710

B. On August 17, 2020, the Company signed a syndicated loan agreement for 5 years with Taishin Bank, the lead bank of the syndicated loan, and 11 other banks. The aggregate amount of credit line of the syndicated loans was \$2,200,000 thousand. The contract term was five years from the initial drawdown date.

The important matters in syndicated loan agreement as follows :

(a)Credit method in syndicated loan agreement as follows :

I. A : Mid-term demand loan revolving of 2,200,000 thousand.

II. B : Commercial paper guarantee revolving of 1,320,000 thousand.

The total credit lines of A and B do not exceed 2,200,000 thousand, and total used balance shall not exceed the total amount of credit.

(b)Financial ratios : sustain their financial ratios and standards during the loan period :

I. Current Ratio 【Current assets ÷ Current liabilities】 : not lower than 100%

II. Leverage ratio 【Total liabilities ÷ Tangible net value \*】 : not higher than 180%

III. Times interest earned 【(Income before tax + Interest expenses + depreciation expense + amortization expense) / Interest expenses】 : not lower than 400%

IV. Tangible net value \* : not lower than NT\$1,600,000 thousand

\* 「Tangible net value」 is equity minus intangible assets.

The above financial ratios and standards of each section are checked once every six months. The Company self-checked according to the financial statements on December 31, 2020, and there is no default.

C. Details of long-term loans as of December 31, 2019 was as follows:

Creditor	31 Dec. 2019	rate (%)	Redemption
Unsecured Mid-to Long-Term Loan from Taiwan Cooperative Bank	\$50,000	1.40%	The loan amount is 150,000 thousand. Since March 20, 2018, principal is repaid at 25,000 thousand in 6 semi-annual payments with monthly interest payments. As of December 31, 2019, one to four principals have been repaid, and the principal for each period is 25,000 thousand.
Unsecured Mid-to Long-Term Loan from Hua Nan Bank	58,333	1.40%	The loan amount is 100,000 thousand. Since October 20, 2018, principal is repaid at 8,333 thousand in 12 quarterly payments with monthly interest payments. As of December 31, 2019, one to five principals have been repaid, and the principal for each period is 8,333 thousand.
Unsecured Mid-to Long - Term Loan from E. Sun Bank	70,000	1.25%	The loan amount is 70,000 thousand. Effective May 21, 2018 to May 21, 2021. Monthly interest payments. Repayment of principal.
Unsecured Mid-to Long - Term Loan from First Commercial Bank	50,000	1.40%	The loan amount is 100,000 thousand. Since December 27, 2018, principal is repaid at 16,667 thousand in 6 semi-annual payments with monthly interest payments. As of December 31, 2019, one to three principals have been repaid, and the principal for each period is 16,667 thousand.
Unsecured Mid-to Long - Term Loan from First Commercial Bank	80,000	1.40%	The loan amount is 120,000 thousand. Since February 14, 2019, principal is repaid at 20,000 thousand in 6 semi-annual payments with monthly interest payments. As of December 31, 2019, one to two principals have been repaid, and the principal for each period is 20,000 thousand.
Unsecured Mid-to Long - Term Loan from Bank of Taiwan	120,000	1.40%	The loan amount is 150,000 thousand. Since January 12, 2019, principal is repaid at 7,500 thousand in 20 quarterly payments with monthly interest payments. As of December 31, 2019, one to four principals have been repaid, and the principal for each period is 7,500 thousand.

Creditor	31 Dec. 2019	rate (%)	Redemption
Unsecured Mid-to Long - Term Loan from E. Sun Bank – Operation Revolving (Note)	95,725	0.75%	The loan amount is 95,725 thousand. Since August 15, 2022, principal is repaid at 1,994 thousand in 48 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Taishin Bank – Operation Revolving (Note)	50,000	0.75%	The loan amount is 50,000 thousand. Since July 15, 2022, principal is repaid at 1,923 thousand in 26 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Chang Hwa Bank – Operation Revolving (Note)	44,877	0.75%	The loan amount is 44,877 thousand. Since October 15, 2022, principal is repaid at 955 thousand in 47 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Bank of Taiwan – Operation Revolving (Note)	56,712	0.75%	The loan amount is 56,712 thousand. Since November 15, 2022, principal is repaid at 1,181 thousand in 48 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from First Commercial Bank – Operation Revolving (Note)	19,500	0.75%	The loan amount is 19,500 thousand. Since December 15, 2022, principal is repaid at 406 thousand in 47 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from E. Sun Bank – Machinery (Note)	55,480	0.75%	The loan amount is 55,480 thousand. Since August 15, 2022, principal is repaid at 1,156 thousand in 48 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Taishin Bank – Machinery (Note)	49,200	0.75%	The loan amount is 49,200 thousand. Since July 15, 2022, principal is repaid at 1,968 thousand in 25 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Chang Hwa Bank – Machinery (Note)	2,610	0.75%	The loan amount is 2,610 thousand. Since November 15, 2022, principal is repaid at 84 thousand in 31 monthly payments with monthly interest payments.
Unsecured Mid-to Long - Term Loan from Bank of Taiwan – Machinery (Note)	7,520	0.75%	The loan amount is 7,520 thousand. Since November 15, 2022, principal is repaid at 157 thousand in 48 quarterly payments with monthly interest payments.
Less: Due within one year	(186,667)		
Total	<u>\$623,290</u>		

Note : The Company apply 「 Action Plan for Overseas Taiwanese Businesses to Return to Invest in Taiwan 」 , restricted use of financing for plant facilities or purchase of machinery and equipment and operation revolving fund. Interest rate ranges and due date as follow :

Item	31 Dec. 2019.	31 Dec. 2019
	Interest rate ranges	Operation Revolving 0.75%
Due date	Jun 13, 2019~ October 15,2026	Jun 13, 2019~ October 3, 2026
Unused mid-to long-term lines of credits amounted	\$43,186	\$195,190

D. Long-term loans are guaranteed by the main management.

### (13) Post-employment benefits

#### Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

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

Expenses under the defined contribution plan for the years ended 31 December 2020 and 2019 were \$7,618 thousand and \$7,813 thousand, respectively.

#### Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to

2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$1,090 thousand to its defined benefit plan during the 12 months beginning after 31 December 2020.

The average duration of the defined benefits plan obligation as at 31 December 2020 and 2019, are 17 and 19 years, respectively.

The pension costs recognized in profit or loss for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Current period service costs	—	—
Interest expense	\$9	\$(4)
Total	\$9	\$(4)

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

	31 Dec. 2020	31 Dec. 2019	1 Jan. 2019
Defined benefit obligation	\$4,936	\$5,211	\$3,899
Plan assets at fair value	(5,428)	(4,163)	(4,174)
Defined benefit liabilities recognized on the consolidated balance sheets	\$(492)	\$1,048	\$(275)

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

	As at		
	Defined benefit obligation	Fair value of plan assets	Defined benefit liability (asset)
As at 1 Jan. 2019	\$3,899	\$(4,174)	\$(275)
Current period service costs	—	—	—
Net interest expense (income)	53	(57)	(4)
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	53	(57)	(4)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(49)	—	(49)
Actuarial gains and losses arising from changes in financial assumptions	(533)	—	(533)
Experience adjustments	2,175	—	2,175
Remeasurements of the defined benefit asset	—	(132)	(132)
Subtotal	1,593	(132)	1,461
Payments from the plan	(334)	334	—
Contributions by employer	—	(134)	(134)
Effect of changes in foreign exchange rates	—	—	—
As at 31 Dec. 2019	5,211	(4,163)	1,048
Current period service costs	—	—	—
Net interest expense (income)	45	(36)	9
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	45	(36)	9
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	117	—	117
Actuarial gains and losses arising from changes in financial assumptions	(412)	—	(412)
Experience adjustments	(25)	—	(25)
Remeasurements of the defined benefit asset	—	(139)	(139)
Subtotal	(320)	(139)	(459)
Payments from the plan	—	—	—
Contributions by employer	—	(1,090)	(1,090)
Effect of changes in foreign exchange rates	—	—	—
As at 31 Dec. 2020	\$4,936	\$(5,428)	\$(492)

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

	31 Dec. 2020	31 Dec. 2019
Discount rate	0.31%	0.87%
Expected rate of salary increases	1.00%	2.00%

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

	Effect on the defined benefit obligation			
	2020		2019	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	—	\$351	—	\$477
Discount rate decrease by 0.5%	\$479	—	\$530	—
Future salary increase by 0.5%	\$473	—	\$522	—
Future salary decrease by 0.5%	—	\$350	—	\$474

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

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

#### (14) Equities

##### A. Common stock and Certificate of Bond-to-stock Conversion

As of 31 December 2020 and 2019, the Group's authorized capital was both NT\$1,500,000 thousand, and both issued NT\$940,893 thousand with 94,089 thousand shares, each at a par value of NT\$10.

The Company's first domestic unsecured conversion bonds have been converted into 19,289 thousand shares. On December 31, 2019, the company's conversion of unsecured convertible bonds into ordinary share and the registration was completed.

##### B. Additional paid-in capital

	31 Dec. 2020	31 Dec. 2019
Share premium	\$647,398	\$803,586
Acquiring or disposing subsidiaries	38,918	38,918
Share options of convertible bonds	35,522	35,522
Total	\$721,838	\$878,026

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the group. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

#### C. Retained earnings and dividend policies

According to the Group's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order :

- (a) Payment of all taxes and dues
- (b) Offset prior years' operation losses
- (c) Set aside 10% as legal reserve
- (d) Set aside or reverse special reserve in accordance with law and regulations
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future development plan, investment environment, fund requirements, domestic and international competition as well as the interest of the shareholders. The Board of Directors shall propose the distribution plan and submit it to the stockholders' meeting every year. The distribution of stockholders' dividend shall be allocated as cash dividend no less than 20% dividend.

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

Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserves. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserves, from the profit/loss of the current period and the undistributed earnings from the previous period.

The amount should equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that the company has already set aside special reserves according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

As of 31 December 2020 and 2019, special reserve set aside for the first-time adoption of TIFRS amounts to \$34,253 thousand. Financial-Supervisory-Securities-Corporate-1010012865, the additional legal reserve were \$48,751 thousand and \$10,995 thousand for the 2020 and 2019. As of December 31, 2020 and 2019, special capital reserve amounted to \$93,999 thousand and \$45,248 thousand respectively.

Details of the 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on 22 March 2021 and 23 June 2020, respectively, are as follows :

	Appropriation of earnings		Dividend per share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$12,950	\$21,821	—	—
Special reserve	\$(12,953)	\$48,751	—	—
Common stock -cash dividend	\$94,089	\$75,271	\$1.00	\$0.80

The Company’s board of directors proposed to distribute NT\$141,134 thousand in capital surplus with NT\$1.50 per share on March 22, 2021.

The appropriation of 2020 unappropriated retained earnings has not yet been approved by the stockholder’s meeting as of the reporting date. Information relevant to the Board of Directors’ meeting recommendations and stockholders’ meeting approval can be obtained from the “Market Observation Post System” on the website of the TWSE.

Please refer to Note 6.(18) for further details on employees’ compensation and remuneration to directors and supervisors.

(15) Sales

Revenue from contracts with customers	2020	2019
Sale of goods	\$3,346,011	\$3,444,382
Other operating revenue	1,001,181	1,013,764
Total	\$4,347,192	\$4,458,146

Analysis of revenue from contracts with customers during the years ended 31 December 2020 and 2019 are as follows:

A. Disaggregation of revenue

	2020	2018
TO Leadframe	\$1,549,288	\$1,458,483
Discrete device	1,326,404	1,641,545
Module	470,319	344,354
Other	1,001,181	1,013,764
Total	<u>\$4,347,192</u>	<u>\$4,458,146</u>
Timing of revenue recognition :		
At a point in time	<u>\$4,347,192</u>	<u>\$4,458,146</u>

B. Contract balances

Contract liabilities — current

	31 Dec. 2020	31 Dec. 2019	1 January. 2019
Sale of goods	<u>\$ 8,661</u>	<u>\$ 1,676</u>	<u>\$ 3,451</u>

The significant changes in the Group balances of contract liabilities for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Revenue recognized during the period that was included in the beginning balance	\$(1,676)	\$(3,451)
Deducting the amount incurred and transferred to revenue during the period	—	(5,752)
Increase in receipt in advance during the period	8,661	7,428

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from the costs to obtain or fulfil a contract with a customer

None.

(16) Expected credit losses (gains)

	2020	2019
Operating expense – Expected credit losses (gains)		
Contract asset	—	—
Notes receivable	—	—
Account receivable	\$(5)	\$(1,341)
Total	<u>\$(5)</u>	<u>\$(1,341)</u>

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

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

The Group needed to consider the grouping by counterparties' credit rating, geographical region and industry sector, and its loss allowance is measure by using expected credit loss, details as follows:

	<u>2020.12.31</u>						Total
	Neither past due(Note)	30 days	31-60 days	Past due			
				61-90 days	91-120 days	Over 121 days	
Gross carrying amount	\$993,799	\$8,390	—	—	—	—	\$1,002,189
Loss ratio	—	0.01%-15%	—	—	—	—	
Lifetime expected credit losses	—	(24)	—	—	—	—	(24)
Subtotal	\$993,799	\$8,366	—	—	—	—	\$1,002,165

	<u>2019.12.31</u>						Total
	Neither past due(Note)	30 days	31-60 days	Past due			
				61-90 days	91-120 days	Over 121 days	
Gross carrying amount	\$1,016,017	\$11,637	\$194	—	—	—	\$1,027,848
Loss ratio	—	0.01%-15%	1%-15%	—	—	—	
Lifetime expected credit losses	—	(25)	(4)	—	—	—	(29)
Subtotal	\$1,016,017	\$11,612	\$190	—	—	—	\$1,027,819

Note: Not any of the Company's note receivables was past due.

The movement in the provision of impairment of receivables as at 2020 and 2019 are as follows:

	Trade receivables
As at 1 Jan. 2020	\$29
Charge (revisal) of current period	(5)
Effect of changes in exchange rate	—
As at 31 Dec. 2020	\$24
As at 1 Jan. 2019	\$1,630
Charge (revisal) of current period	(1,341)
Write off	(264)
Effect of changes in exchange rate	4
As at 31 Dec. 2019	\$29

(17) Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land, buildings and Leasehold improvements. The lease terms range from 3 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

	31 Dec. 2020	31 Dec. 2019
Land	\$81,177	\$83,684
Leasehold improvements	2,290	2,316
Buildings	20,201	107,597
Total	<u>\$103,668</u>	<u>\$193,597</u>

During the year ended of 31 December 2020 and 2019, the Group's additions to right-of-use assets amounted to \$0 thousand.

II. Lease liabilities

	31 Dec. 2020	31 Dec. 2019
Lease liabilities	<u>\$131,687</u>	<u>\$221,618</u>
Current	\$8,588	\$7,275
Non-current	123,099	214,343
Total	<u>\$131,687</u>	<u>\$221,618</u>

Please refer to Note 6.(19)(d) for the interest on lease liability recognized during 2020 and 2019 and Note 12.5 for the maturity analysis of lease liabilities as of December 31, 2020 and 2019.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2020	2019
Land	\$2,752	\$2,793
Leasehold improvements	64	67
Buildings	5,603	5,248
Total	<u>\$8,419</u>	<u>\$8,108</u>

(c) Income and costs relating to leasing activities

	<u>2020</u>	<u>2019</u>
The expenses relating to short-term leases	\$16,909	\$12,324
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	69	7,430

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company's total cash outflows for leases amounted to NT\$29,342 thousand and NT\$33,134 thousand, respectively.

(e) Other information relating to leasing activities

Extension and termination options

Some of the Group's property leases contain options to extend or terminate the leases. When determining the lease term, it shall be the non-cancellable period where the lessee has the right to use the underlying asset, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the Group is reasonably certain not to exercise that option. The use of those options can maximize the flexibility in managing the contracts. The majority of options to extend or terminate the leases can only be exercised by the Group. The Group would reassess the lease periods when a significant event or a significant change in circumstances occurs (that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term) after the commencement date.

(2) Group as a lessor

Please refer to Note 6.(7) for relevant disclosure of the Group's own occupied investment property and right-of-use assets. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	<u>2020</u>	<u>2019</u>
Lease income for operating leases	<u>\$24,000</u>	<u>\$24,000</u>

Please refer to Note 6.(7) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of 31 December 2020 and 2019 are as follow:

	31 Dec 2020	31 Dec 2019
Not later than one year	\$24,618	\$24,000
Later than one year and not later than two years	31,419	24,618
Later than two year and not later than three years	31,419	31,419
Later than three year and not later than four years	31,544	31,419
Later than four year and not later than five years	32,915	31,544
Later than five years	97,498	130,413
Total	<u>\$249,413</u>	<u>\$273,413</u>

(18) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function Nature	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$401,798	\$172,350	\$574,148	\$432,257	\$176,134	\$608,391
Labor and health insurance	\$23,902	\$7,369	\$31,271	\$27,460	\$12,432	\$39,892
Pension	\$9,785	\$3,650	\$13,435	\$10,203	\$3,589	\$13,792
Other employee benefits expense	\$10,165	\$7,762	\$17,927	\$7,719	\$9,419	\$17,138
Depreciation	\$153,727	\$42,630	\$196,357	\$153,362	\$48,362	\$201,724
Amortization	\$344	\$2,213	\$2,557	\$1,105	\$2,174	\$3,279

According to the Company's Articles of Incorporation, 2%~10% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributed as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be 5.39% and 1.85%, respectively. As such, employees' compensation and remuneration to directors were recognized as employee benefits expense at \$6,532 thousand and \$2,240 thousand for the year ended December 31, 2020, respectively. A fixed monthly remuneration for the indendent directors were recognized as employee benefits expense at \$1,440 thousand.

Based on profit of the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be 3.16% and 0.99%, respectively. As such, employees' compensation and remuneration to directors were recognized as employee benefits expense at \$7,144 thousand and \$2,520 thousand for the year ended December 31, 2019, respectively. A fixed monthly remuneration for the indendent directors were recognized as employee benefits expense at \$1,440 thousand.

A resolution was approved to distribute \$7,144 thousand and \$3,960 thousand in cash as employees' compensation and remuneration to directors and supervisors for the year of 2019, respectively. There were no differences between the approved amount and the estimated amount which recognized in the year of 2019.

(19) Non-operating income and expenses

A. Interest income

	<u>2020</u>	<u>2019</u>
Finance asset measured at amortized cost – Bank deposit	<u>\$6,512</u>	<u>\$6,065</u>

B. Other income

	<u>2020</u>	<u>2019</u>
Rental income	\$2,092	\$2,109
Others income – other	9,500	5,581
Total	<u>\$11,592</u>	<u>\$7,690</u>

C. Other gains and losses

	<u>2020</u>	<u>2019</u>
Foreign exchange (losses)gains, net	\$(58,394)	\$(3,592)
Gains on disposal of property, plant and equipment	114	1,156
Losses on financial assets / financial liabilities at fair value through profit (losses) (Note1)	8,760	(1,052)
Others	(816)	(244)
Total	<u>\$(50,336)</u>	<u>\$(3,732)</u>

Note1: Balances were arising from held for trading financial liabilities and financial assets mandatorily measured at fair value through profit or loss.

D. Finance costs

	<u>2020</u>	<u>2019</u>
Interest on borrowings from bank	\$15,929	\$17,186
Interest on bonds payable	9,371	13,760
Interest on lease liabilities	2,113	3,147
Total	<u>\$27,413</u>	<u>\$34,093</u>

(20) Components of other comprehensive income

For the year ended 31 December 2020 :

	Arising during the period	Reclassificati on adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$459	—	\$459	—	\$459
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	16,191	—	16,191	\$(3,238)	12,953
Total of other comprehensive income	\$16,650	—	\$16,650	\$(3,238)	\$13,412

For the year ended 31 December 2019 :

	Arising during the period	Reclassificati on adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensiv e income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(1,461)	—	\$(1,461)	—	\$(1,461)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(60,931)	—	(60,931)	\$12,180	(48,751)
Total of other comprehensive income	\$(62,392)	—	\$(61,392)	\$12,180	\$(50,212)

(21) Income tax

A. The major components of income tax expense are as follows:

<u>(a) Income tax expense (income) recognized in profit or loss</u>	2020	2019
Current income tax expense (income):		
Current income tax charge	\$38,695	\$33,185
Adjustments in respect of current income tax of prior periods	(2,589)	(6,413)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	5,276	(8,337)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(4,026)	3,946
Others	(471)	164
Total income tax expense	<u>\$36,885</u>	<u>\$22,545</u>

<u>(b) Income tax relating to components of other comprehensive income</u>	2020	2019
Deferred tax expense (income):		
Exchange differences resulting from translating the financial statements of a foreign operation	<u>\$3,238</u>	<u>\$(12,180)</u>

B. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2020	2019
Accounting profit income before tax from continuing operations	<u>\$165,923</u>	<u>\$240,760</u>
Tax at the domestic rates applicable to profits in the country concerned	\$65,245	\$64,499
Tax effect of revenues exempt from taxation	(1,752)	210
Tax effect of expenses not deductible for tax purposes	(3,599)	24,480
Tax effect of deferred tax assets/liabilities	(23,140)	(60,185)
Corporate income surtax on undistributed retained earnings	2,720	—
Adjustments in respect of current income tax of prior periods	(2,589)	(6,413)
Others	—	(46)
Total income tax expense recognized in profit or loss	<u>\$36,885</u>	<u>\$22,545</u>

C. Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2020 :

	Beginning balance as at 1 Jan. 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2020
<b>Temporary differences</b>				
Unrealized exchange (losses)	\$2,948	\$(3,312)	—	\$(364)
Allowance for bad debts	(393)	(611)	—	(1,004)
Allowance for losses on inventory	6,536	294	—	6,830
Share of profit (loss) of subsidiaries accounted for using the equity method	(45,227)	(1,466)	—	(46,693)
Depreciation difference for tax purpose	36,798	(11,878)	—	24,920
Depreciation difference for tax purpose	(12,775)	311	—	(12,464)
Downstream transaction not realized	1,569	4	—	1,573
Exchange differences resulting from translating the financial statements of a foreign operation	21,819	—	\$(3,238)	18,581
Temporary differences in prepaid annuities	(4,241)	142	—	(4,099)
Other	876	(323)	—	553
Unused tax losses	—	15,589	—	15,589
Deferred tax income/ (expense)		<u>\$(1,250)</u>	<u>\$(3,238)</u>	
Net deferred tax assets/(liabilities)	<u>\$7,910</u>			<u>\$3,422</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$70,546</u>			<u>\$68,046</u>
Deferred tax liabilities	<u>\$(62,636)</u>			<u>\$(64,624)</u>

For the year ended 31 December 2019 :

	Beginning balance as at 1 Jan. 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in comprehensive income	Ending balance as at 31 Dec. 2019
<b>Temporary differences</b>				
Unrealized exchange (losses)	\$(1,325)	\$4,273	—	\$2,948
Allowance for bad debts	—	(393)	—	(393)
Allowance for losses on inventory	4,836	1,700	—	6,536
Share of profit (loss) of subsidiaries accounted for using the equity method	(50,675)	5,448	—	(45,227)
Depreciation difference for tax purpose	33,866	2,932	—	36,798
Depreciation difference for tax purpose	(5,157)	(7,618)	—	(12,775)
Downstream transaction not realized	4,020	(2,451)	—	1,569
Exchange differences resulting from translating the financial statements of a foreign operation	9,639	—	\$12,180	21,819
Temporary differences in prepaid annuities	(3,865)	(376)	—	(4,241)
Other	—	876	—	876
Deferred tax income/ (expense)		<u>\$4,391</u>	<u>\$12,180</u>	
Net deferred tax assets/(liabilities)	<u>\$(8,661)</u>			<u>\$7,910</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$52,361</u>			<u>\$70,546</u>
Deferred tax liabilities	<u>\$(61,022)</u>			<u>\$(62,636)</u>

D. Unrecognized deferred income tax liabilities related to investment subsidiaries

The company may generate income tax payable when repatriating undistributed surplus of some subsidiaries. The related deferred income tax liabilities were not recognized because of the company has decided not to distribute the earnings of subsidiaries in the foreseeable future. As of December 2020 and 2019, the amount of taxable temporary differences not recognized as deferred income tax was \$108,951 and \$105,530, respectively.

E. The assessment of income tax returns

As of December 31, 2020, the assessments of the income tax returns of the Company and its subsidiaries are as follows :

	The assessment of income tax returns
The Company	Assessed and approved up to 2018
Subsidiary- Jih Li Technology Co., Ltd	Assessed and approved up to 2019

## (22) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2020	2019
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$129,038	\$218,215
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	94,089	88,741
Basic earnings per share (NT\$)	<u>\$1.37</u>	<u>\$2.46</u>
B. Diluted earnings per share		
Net income (in thousand NT\$)	\$129,038	\$218,215
Interest on the second conversion of bonds(in thousand)	<u>7,497</u>	<u>7,374</u>
Profit attributable to ordinary equity holders of the Company and effect of potential common shares (in thousand NT\$)	<u>\$136,535</u>	<u>\$225,589</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	94,089	88,741
Effect of dilution :		
Employee compensation – stock (in thousands)	86	264
The second conversion of bonds	<u>7,869</u>	<u>7,451</u>
Weighted average number of common stocks after dilution(thousand shares)	<u>102,044</u>	<u>96,456</u>
Diluted earnings per share (NTD)	<u>\$1.34</u>	<u>\$2.34</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements authorized for issue.

## 7. Related party transactions

The following is a summary of transactions between the Company and related parties during the reporting periods:

## Name and Relationship of Related Parties

<u>Name of related parties</u>	<u>Nature of relationship of the related parties</u>
Jih Long Industry Co., Ltd.	Other related parties
Jih Hong Electronic Co., Ltd.	Other related parties
Jieh Yin Precision Co., Ltd.	Other related parties
Hongxiu International Investment Co., Ltd	Other related parties
Weishan International Investment Co., Ltd	Other related parties
Tasi, Shang-Yen and other 10 people	Key management personal of the Group

### Significant transactions with the related parties

#### (1) Sales

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$2,759</u>	<u>\$2,571</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection periods to foreign customers were month-end 30~180 days, and non-related parties domestic and foreign customers were month-end 30~180 days. The receivables from the related parties were not guaranteed.

#### (2) Purchase

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$1,622</u>	<u>\$87</u>

The purchase price from the related parties was determined through mutual agreement in reference to market conditions. The payment periods to related parties were the same with other company, and were month-end 90~120 days.

#### (3) Receivables -related parties

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Other related parties	<u>\$245</u>	<u>\$1,801</u>

The credit conditions for the account receivable of the related parties are collection within 90 days after the sale which is equivalent to that of general customers.

#### (4) Other receivables -related parties

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Other related parties	<u>—</u>	<u>\$601</u>

(5) Account payables - related parties

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Other related parties	\$13	\$16

The credit conditions for the account payable of the related parties are payment within 90 days after the purchase which is equivalent to that of general supplier.

(6) Other payables - related parties

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Other related parties	\$7,531	\$11,108

(7) Lease - related parties

Rent Expense	<u>2020</u>	<u>2019</u>
Other related parties	\$6,086	\$5,725

Right-of use assets (The ending balance of the right-of-use asset acquired by lease from the related party)

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Other related parties		
Jih Hong Electronic Co., Ltd	\$13,781	\$88,011
Others	6,068	18,881
Total	\$19,849	\$106,892

Lease liabilities (The ending balance of lease liability payable to the related party)

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Other related parties		
Jih Hong Electronic Co., Ltd	\$14,457	\$88,587
Others	6,227	19,006
Total	\$20,684	\$107,593

Interest expense

	<u>2020</u>	<u>2019</u>
Other related parties	\$610	\$1,532

(8) Key management personnel compensation

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$14,106	\$14,106
Post-employment benefits	377	349
Total	\$14,483	\$14,455

## (9) Commissioned processing

	2020	2019
Other related parties	\$25,186	\$25,443

## (10) Acquisition of property, plant and equipment

2020		
Name of the related parties	Cost	Price determination method
Other related parties		
Machinery	\$6,400	Negotiate

2019		
Name of the related parties	Cost	Price determination method
Other related parties		
Tooling equipment	\$5,771	Negotiate

## (11) Sale of property, plant and equipment

2020.01.01~2020.12.31 :

Name of the related parties	Asset Name	Sales price	Book value	Gain (Losses)
Other related parties	Machinery	\$240	\$232	\$8

2019.01.01~2019.12.31 :

Name of the related parties	Asset Name	Sales price	Book value	Gain (Losses)
Other related parties	Machinery	\$91	\$85	\$6

8. Assets pledged as security

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

Items	Carrying amount		Secured liabilities details
	31 Dec. 2020	31 Dec. 2019	
Property, plant and equipment – Land and Buildings	—	\$336,143	Short loans

9. Commitments and contingencies

- (1) As of December 31, 2020, the Company had opened an unused letter of credit amounting to USD 480 thousand and JPY 87,455 thousand.
- (2) Imported raw materials triff and excise tax: 3,000 thousand.
- (3) As of December 31, 2020, please Note 13 for the endorsement guarantee provided by the Company.

10. Losses due to major disasters

None

11. Significant subsequent events

None

12. Other

(1) Categories of financial instruments

Financial assets

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$838	—
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	1,153,758	\$705,773
Notes receivable and Account receivable (including related parties)	1,002,165	1,027,819
Other receivable (including related parties)	71,633	82,324
Refundable deposits	2,117	2,197
Subtotal	<u>2,229,673</u>	<u>1,818,113</u>
Total	<u>\$2,230,511</u>	<u>\$1,818,113</u>

Financial liabilities

	<u>31 Dec. 2020</u>	<u>31 Dec. 2019</u>
Financial liabilities at amortized cost:		
Short-term loans	\$221,040	\$532,720
Notes payables, account payables and other payables (including related parties)	486,723	400,437
Bonds payable (including current portion)	573,007	563,636
Long-term loans (including current portion)	1,515,732	809,957
Lease liabilities (including related parties)	131,687	221,618
Subtotal	<u>2,928,189</u>	<u>2,528,368</u>
Financial liabilities at Mandatorily measured at fair value through profit or loss :		
Embedded derivative	—	7,922
Total	<u>\$2,928,189</u>	<u>\$2,536,290</u>

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

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

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

Foreign currency risk

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

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and JPY. The information of the sensitivity analyses is as follows:

- A. When NTD increased / decreased USD by 1%, the profit for the years ended 31 December 2020 and 2019 is increased by \$11,715 thousand and \$10,208 thousand, and decreased by \$11,715 thousand and \$10,208, respectively.

- B. When NTD increased / decreased JPY by 1%, the profit for the years ended 31 December 2020 and 2019 is increased by \$108 thousand and \$23 thousand, and decreased by \$108 thousand and \$23 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period. A change of 10 basis points of interest rate in a reporting period could cause the profit for 2020 and 2019 to decrease/increase by NT\$1,737 thousand and NT\$1,343 thousand, respectively.

#### (4) Credit risk management

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

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

As at 31 December 2020 and 2019, amounts receivables from top ten customers represent 43.07% and 51.60%, respectively, of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
As of 31 December 2020					
Loans	\$339,377	\$245,700	\$1,104,037	\$61,772	\$1,750,886
Amounts payables	\$486,362	—	—	—	\$486,362
Convertible bonds	\$582,378	—	—	—	\$582,378
Lease liabilities	\$10,364	\$19,947	\$13,021	\$119,575	\$162,907
As of 31 December 2019					
Loans	\$720,978	\$265,196	\$250,629	\$193,759	\$1,430,562
Amounts payables	\$399,978	—	—	—	\$399,978
Convertible bonds	—	—	\$572,854	—	\$572,854
Lease liabilities	\$10,320	\$20,459	\$18,507	\$226,799	\$276,085

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

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

- (a) The carrying amount of cash and cash equivalents, accounts receivables, other receivable, other current assets, accounts payable, other payables and current portion of long-term borrowings approximate their fair value.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

- (c) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc).
- (d) D. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

#### B. Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payable, other receivables and refundable deposits whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying Amount	
	31 Dec. 2020	31 Dec. 2019
Financial liabilities		
Short-term borrowings	\$221,040	\$532,720
Bonds payable(including current portion)	\$573,007	\$563,636
Long-term loans (including current portion)	\$1,515,732	\$809,957
	Fair value	
	31 Dec. 2020	31 Dec. 2019
Financial liabilities		
Short-term borrowings	\$221,040	\$532,720
Bonds payable(including current portion)	\$585,960	\$572,100
Long-term loans (including current portion)	\$1,508,273	\$814,692

#### C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(7) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for 2020 :

	Short-term borrowings	Long-term borrowings	Corporate bonds payable	Lease liabilities	Total liabilities from financing activities
As at 1 Jan. 2020	\$532,720	\$809,957	\$563,636	\$221,618	\$2,127,931
Cash flows	(311,680)	705,775	—	(10,251)	383,844(Note1)
Non-cash changes					
Interest expense	—	—	—	2,113	2,113
Discount amortization	—	—	9,371	—	9,371
Other changes	—	—	—	(81,793)	(81,793)
As at 31 Dec. 2020	\$221,040	\$1,515,732	\$573,007	\$131,687	\$2,441,466

Note 1: The amount does not include interest paid of 16,028 thousand and cash dividend of 231,460 thousand.

Reconciliation of liabilities for 2019 :

	Short-term borrowings	Long-term borrowings	Corporate bonds payable	Lease liabilities	Total liabilities from financing activities
As at 1 Jan. 2019	\$483,526	\$645,000	\$886,683	\$228,704	\$2,243,913
Cash flows	49,194	164,957	—	(10,233)	203,918(Note2)
Non-cash changes					
Discount amortization	—	—	—	3,147	3,147
Corporate bonds equity composition	—	—	13,760	—	13,760
Bond issue cost	—	—	(336,807)	—	(336,807)
As at 31 Dec. 2019	\$532,720	\$809,957	\$563,636	\$221,618	\$2,127,931

Note 2: The amount does not include interest paid of 17,840 thousand and cash dividend of 304,608 thousand.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

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

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows :

As at 31 December, 2020

	Level 1	Level 2	Level 3	Total
Assets measured at fair value :				
Financial assets at fair value through profit or loss				
Option of Convertible corporate bond	—	—	\$838	\$838

As at 31 December, 2020

	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value: :				
Financial assets at fair value through profit or loss				
Option of Convertible corporate bond	—	—	\$7,922	\$7,922

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

The detail movement of recurring fair value measurements in Level 3

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

	Assets	Liabilities
	Fair value through profit or loss	Fair value through profit or loss
	Derivative financial instruments	Derivative financial instruments
As of January 1, 2020	\$—	\$7,922
Total gains and losses recognized for 2020	838	(7,922)
As of December 31, 2020	\$838	\$—

	Assets	Liabilities
	Fair value through profit or loss	Fair value through profit or loss
	Derivative financial instruments	Derivative financial instruments
As of January 1, 2019	\$(62)	\$6,902
Total gains and losses recognized for 2019	32	1,020
Gains and losses of conversion bonds for 2019	30	—
As of December 31, 2019	\$—	\$7,922

Total (losses) gains related to assets recognized for the years ended December 31, 2020 amounted to NT\$838 thousand and NT\$(7,922) thousand.

Total (losses) gains related to assets recognized for the years ended December 31, 2019 amounted to NT\$32 thousand and NT\$1,020 thousand.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2020 :

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed :				
Investment property (Please refer to 6.(7))	—	—	\$225,448	\$225,448

As of December 31, 2019 :

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed :				
Investment property (Please refer to 6.(7))	—	—	\$225,448	\$225,448

(9) Significant assets and liabilities denominated in foreign currencies (excluding functional currency)

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

	December 31, 2020			December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>						
Monetary item :						
USD	\$45,109	28.4800	\$1,284,704	\$36,556	29.9800	\$1,095,962
JPY	\$79,027	0.2763	\$21,835	\$12,396	0.2760	\$3,421
<u>Financial liability:</u>						
Monetary item :						
USD	\$3,973	28.4800	\$113,163	\$2,509	29.9800	\$75,208
JPY	\$39,968	0.2763	\$11,043	\$4,078	0.2760	\$1,126

Functional currencies of entities of the Group are varied. Accordingly, the Group is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange (losses) gains were NT\$(58,394) thousand and NT\$(3,592) thousand for the years ended December 31, 2020 and 2019, respectively.

(10) Capital management

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

### 13. Additional disclosures

#### (1) Information at significant transactions and on investees:

- A. Financing provided to others for the year ended December 31, 2020: None.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2020: Please refer to Attachment 1.
- C. Securities held as of December 31, 2020 (excluding subsidiaries, associates and joint venture): None.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100,000 thousand or 20 percent of the capital stock for the year ended December 31, 2020: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300,000 thousand or 20 percent of the capital stock for the year ended December 31, 2020: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300,000 thousand or 20 percent of the capital stock for the year ended December 31, 2020: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100,000 thousand or 20 percent of the capital stock for the year ended December 31, 2020: Please refer to Attachment 2.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100,000 thousand or 20 percent of capital stock as of December 31, 2020: Please refer to 6.(2).
- I. Financial instruments and derivative transactions: Please refer to Attachment 3.

#### (2) Information on investees: Names, locations and related information of investees as of December 31, 2020: Please refer to Attachment 4.

#### (3) Information on investments in mainland China

- A. Information on investments in mainland China : Please refer to Attachment 5.
- B. Significant transactions with the investee companies in China directly or indirectly through the third area and the relevant prices, payment terms and unrealized gains and losses :
  - (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period : Please refer to Attachment 6.
  - (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period : Please refer to Attachment 6.
  - (c) The amount of property transactions and the amount of the resultant gains or losses : None.
  - (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes : Please refer to Attachment 1.
  - (e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds : None.
  - (f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services : None.

#### (4) Information of major shareholders : Please refer to Attachment 7.

#### 14. Segment information

##### (1) Industry financial information :

The principal activities of the Group are to tooling manufacture 、 lead frame manufacture and sales service. Because a single industry does not need to disclose its segment information.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

##### (2) Geographic areas information

Revenue from external customers :

	2020	2019
Taiwan	\$267,651	\$300,878
China	1,750,676	1,745,468
Others	2,328,865	2,411,800
Total	<u>\$4,347,192</u>	<u>\$4,458,146</u>

Non-current assets :

	31 Dec. 2020	31 Dec. 2019
Taiwan	\$1,087,764	\$1,208,613
China	574,990	597,449
Others	200,490	190,567
Total	<u>\$1,863,244</u>	<u>\$1,996,629</u>

Major customers

	2020	2019
Customer A	6.96%	5.67%
Customer B	6.25%	7.09%
Customer C	5.23%	5.28%

**JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 1

ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS :

No (Note 1)	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement / Guarantee secured by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries (Note 7)	Endorsement provided to subsidiaries in China (Note 7)
	Name	Name	Nature of Relationship (Note 2)									
0	Jih Lin Technology Co., Ltd	Malaysian SH Precision Sdn. Bhd	2	\$1,126,103	\$1,050,000	\$100,000	—	—	0.00%	\$1,801,765	Y	N
0	Jih Lin Technology Co., Ltd	SH Precision Co.,Ltd	2	\$1,126,103	\$1,050,000	\$550,000	\$221,040	—	9.81%	\$1,801,765	Y	N
0	Jih Lin Technology Co., Ltd	Suzhou SH Precision Co., Ltd.	2	\$1,126,103	\$1,050,000	—	—	—	0.00%	\$1,801,765	Y	Y

Note 1 : Companies are coded as follows:

- (1) Jih Lin Technology Co., Ltd. is coded "0"
- (2) The investees are coded from "1" in the order presented in the table above.

Note 2 : The relationships between endorsement/guarantee providers and guaranteed parties are categorized into the following types :

- (1) A company that has a business relationship with the Company.
- (2) A subsidiary in which the Company holds directly over 50% of common equity interest.
- (3) An investee in which the Company and its subsidiaries jointly hold over 50% of common equity interest.
- (4) A parent company that holds directly over 90% or indirectly over 90% through a subsidiary of the company's common equity interest.
- (5) A company that has provided guarantees to the Company, and vice versa, due to contractual requirements.
- (6) A company in which the Company jointly invests with other shareholders, and for which the Company has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3 : According to regulations of endorsements/guarantees, the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares  
The limit of \$1,126,103 thousand of total amount for endorsement is 50% of the Company's net worth of \$2,252,206 thousand as of September 30, 2020; the limit of \$1,801,765 thousand of maximum amount for endorsement is 80% of the Company's net worth of \$2,252,206 thousand as of September 30, 2020  
The tariff guarantee amount is NT\$3,000 thousand.

Note 4 : Maximum balance of endorsements/guarantees provided to others for current period.

Note 5 : The maximum balance for the period and ending balance represent the amounts approved by the Board Directors.

Note 6 : The company which endorsements/guarantees by the Company should disclosed the amount actually drawn within ending balance.

Note 7 : Public company provided endorsements/guarantees to subsidiary or subsidiary provided endorsements/guarantees to public company or provided endorsements/guarantees which located in CHINA area coded "Y".

JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 2

RELATED PARTY TRANSACTIONS FOR PURCHASES AND SALES AMOUNTS EXCEEDING THE LOWER OF NT\$100 MILLION OR 20 PERCENT OF THE CAPITAL STOCK :

Company Name	Related Party	Nature of Relationships	Transaction Detail				Details of Abnormal Transaction		Notes/ Accounts Receivables (Payables)		Note
			Purchases/ Sales	Amount	Percentage to Total	Collection/ Payment Terms	Unit Price	Collection/ Payment Terms	Ending Balance	Percentage to Total	
Jih Lin Technology Co., Ltd	Suzhou SH Precision Co., Ltd.	Subsidiary	Purchases	\$266,341	17.19%	120 days	NA	NA	Accounts Payables \$77,092	54.55%	
Jih Lin Technology Co., Ltd	Jinan Jihlong Technology Co., Ltd.	Subsidiary	Purchases	\$142,317	9.18%	120 days	NA	NA	Accounts Payables \$27,389	19.38%	

Note 1: If the related party's transaction conditions are different from the general transaction conditions, the unit price and credit period column should state the difference and the reason.

Note 2: If there is an advance receipt (prepayment), the reason, payment terms, amount, and differences from the general transaction type should be stated in the Remark column.

Note 3: Capital stock refers to the stock of the parent company. If the issuer's shares have no denomination or the denomination per share is not NT\$10, the transaction amount of 20% of the capital stock shall be calculated based on the 10% of the equity attributable to the owner of the parent company on the balance sheet.

Note 4: All the above transactions were eliminated on consolidation.

JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 3

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS:

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount (Note 4)	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Jih Lin Technology Co., Ltd	Jih Li Technology Co., Ltd	1	Cost of goods sold-Processing fee	\$99,589	90 days	2.29%
0	Jih Lin Technology Co., Ltd	Jinan Jihlong Technology Co., Ltd.	1	Cost of goods sold	\$142,317	120 days	3.27%
0	Jih Lin Technology Co., Ltd	Suzhou SH Precision Co., Ltd.	1	Cost of goods sold	\$266,341	120 days	6.13%
0	Jih Lin Technology Co., Ltd	Malaysian SH Precision Sdn. Bhd	1	Sales	\$77,011	60 days	1.77%
0	Jih Lin Technology Co., Ltd	Malaysian SH Precision Sdn. Bhd	1	Accounts receivable	\$20,538	60 days	0.38%
0	Jih Lin Technology Co., Ltd	Jinan Jihlong Technology Co., Ltd.	1	Accounts payable	\$27,389	120 days	0.51%
0	Jih Lin Technology Co., Ltd	Suzhou SH Precision Co., Ltd.	1	Accounts payable	\$77,092	120 days	1.43%
0	Jih Lin Technology Co., Ltd	Jih Li Technology Co., Ltd	1	Other payables	\$28,038	90 days	0.52%
1	Suzhou SH Precision Co., Ltd.	SH Precision Co.,Ltd	3	Sales	\$189,503	60 days	4.36%
1	Suzhou SH Precision Co., Ltd.	SH Precision Co.,Ltd	3	Accounts receivable	\$42,659	60 days	0.79%
2	SH Precision Co.,Ltd	Malaysian SH Precision Sad Bhd	3	Sales	\$17,565	60 days	0.40%

Note 1 : The parent company and its subsidiaries are coded as follows:

(1)The parent company is coded "0".

(2)No.2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : Transactions are categorized as follows:

(1)Transactions from parent company to a subsidiary.

(2)Transactions from subsidiary to the parent company.

(3)Transactions between subsidiaries.

Note 3 : Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4 : All the above transactions were eliminated on consolidation.

JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 4

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEES IN MAINLAND CHINA) :

Investor Company	Investee Company (Note1.2)	Location	Main business	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of Investee (Note2(2).3)	Investment Income (Loss) Recognized (Note2(3).3)	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
Jih Lin Technology Co., Ltd	SPEEDY INVESTMENT LIMITED	United States	Investment holding	\$699,204	\$699,204	1	100.00%	\$1,010,113	\$16,936	\$23,268	Subsidiary (Note3)
Jih Lin Technology Co., Ltd	Jih Li Technology Co., Ltd	Taiwan	Lead frame manufacture and sales service	\$50,000	\$50,000	5,000	100.00%	\$71,201	\$11,392	\$12,002	Subsidiary (Note3)
Jih Lin Technology Co., Ltd	Jih-Linchpin Limited	Samoa	Investment holding	\$80,214	\$80,214	3,000	100.00%	\$516,728	\$77,109	\$78,016	Subsidiary (Note3)
Jih Lin Technology Co., Ltd	SH Precision Co.,Ltd	Japan	Lead frame manufacture and sales service	\$28,913	\$28,913	8	100.00%	\$196,021	\$23,704	\$22,679	Subsidiary (Note3)
Jih Lin Technology Co., Ltd	Malaysian SH Precision Sdn. Bhd	Malaysia	Lead frame manufacture and sales service	\$26,843	\$26,843	13,871	100.00%	\$268,985	\$47,542	\$48,218	Subsidiary (Note3)

Note 1: If the public company has a foreign holding company and uses consolidated statements as the main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign investee company may only disclose relevant information to the holding company.

Note 2: If it is not in the case described in Note 1, fill in according to the following regulations:

- (1) Column of "Investee company", "Address", "Main businesses and products", "Initial investment" and "Investment as of December 31, 2020" should be filled in order according to the reinvestment status of the public company and each directly or indirectly controlled investment and indicate the relationship between each investee company and the public company (if it is a subsidiary or a grandson company) in the note column.
- (2) The amount of net income (loss) of investee company should be filled in "Net income (loss) of investee company" column.
- (3) In column "Investment income (loss) recognized" only the amount of profit and loss of each subsidiary recognized by the (public) company for direct reinvestment and each investee company evaluated by the equity method is required, and the rest is not required. When filling in the "recognition of the current profit and loss amount of each subsidiary for direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary has included the investment profit and loss that should be recognized for its reinvestment in accordance with the regulations.

Note 3 : All the above transactions were eliminated on consolidation.

JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 5

INFORMATION ON INVESTMENT IN MAINLAND CHINA :

Mainland China Investee Company	Main Business	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment From Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2020	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Jinan Jihlong Technology Co., Ltd	Lead frame manufacture and sales service	\$649,784 (USD20,000 Thousands)	(2) SPEEDY INVESTMENT LIMITED	\$649,784 (USD20,000 Thousands)	—	—	\$649,784 (USD20,000 Thousands)	\$17,016	100.00%	(2).B \$17,016	\$1,018,115	\$180,277 (USD5,555 Thousands)
Suzhou SH Precision Co., Ltd.	Lead frame manufacture and sales service	\$807,154 (USD25,075 Thousands)	(2) Jih-Linchpin Limited	\$79,912 (USD2,646 Thousands)	—	—	\$79,912 (USD2,646 Thousands)	\$77,153	100.00%	(2).B \$77,153	\$520,288	—

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$644,958 (USD22,646 Thousands)	\$736,094 (USD25,846 Thousands)	— (Note 3)

Note 1 : The methods for investment in Mainland China are categorized into the following three types. Please specify the type.

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in the third area (Please specify the name of the company in third region).
- (3) Others.

Note 2 : For the column of investment gain (loss) :

- (1) If there is no investment gain (loss) during the preparation, it should be noted.
- (2) If the basis for the recognition of investment gain (loss) is classified into the following three type, it should be noted as follows :
  - A. The financial report was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
  - B. The financial statements were audited by the auditors of the parent company.
  - C. Other.

Note 3 : The Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 6

INFORMATION ON INVESTMENTS IN MAINLAND CHINA\_ THE AMOUNT AND PERCENTAGE OF PURCHASE AND THE BALANCE AND PERCENTAGE OF THE RELATED PAYABLES AT THE END OF THE PERIOD :

Company Name	Related Party	Nature of Relationships	Transaction Detail				Details of Abnormal Transaction		Notes/ Accounts Receivables (Payables)		Note
			Purchases/ Sales	Amount	Percentage to Total	Collection/ Payment Terms	Unit Price	Collection/ Payment Terms	Ending Balance	Percentage to Total	
Jih Lin Technology Co., Ltd	Suzhou SH Precision Co., Ltd.	Subsidiary	Purchases	\$266,341	17.19%	120 days	NA	NA	Accounts Payables \$77,092	54.55%	(Note)
Jih Lin Technology Co., Ltd	Jinan Jihlong Technology Co., Ltd	Subsidiary	Purchases	\$142,317	9.18%	120 days	NA	NA	Accounts Payables \$27,389	19.38%	(Note)
Suzhou SH Precision Co., Ltd.	SH Precision Co.,Ltd	Associates	Sales	\$189,503	21.86%	60 days	NA	NA	Accounts Receivables \$42,659	21.86%	(Note)

Note : All the above transactions were eliminated on consolidation.

JIH LIN TECHNOLOGY CO., LTD. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019  
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Attachment 7

INFORMATION ON MAJOR SHAREHOLDERS

Name of Major Shareholders	Share	
	Total Shares Owned	Ownership Percentage
Tasi, Shang-Yen	7,887,550	8.38%
Tsai, Shang-Ming	7,125,000	7.57%
Jih Long Industry Co., Ltd.	4,914,063	5.22%

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common and preferred stocks (only the ones that have completed dematerialized registration and delivery, and include treasury stocks) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be the ones owned by the persons plus the ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.