

**FLEXIUM INTERCONNECT, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

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

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,

FLEXIUM INTERCONNECT, INC.

By

MING-CHI CHENG

Chairman

February 17, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

PWCR20003268

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Key audit matter - Valuation of impairment of accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(10). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(5).

The criteria that the Group uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Group estimates the amounts of allowance for accounts receivable that the Group has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.
- B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.
- C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.

D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

Key audit matter - Inventory valuation

Description

For the accounting policies on inventory valuation, please refer to Note 4(14). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(6).

The Group is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Group's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.
- B. Understood the Group's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

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

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ responsibilities for the audit of the consolidated financial statements

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

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

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

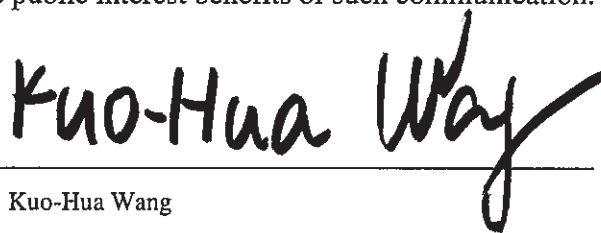
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



Chien-Chih Wu



Kuo-Hua Wang

PricewaterhouseCoopers, Taiwan

February 17, 2021

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

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 9,122,564	21	\$ 6,925,525	20
1110	Financial assets at fair value through profit or loss	6(2)	1,329,825	3	1,275,354	4
1136	Current financial assets at amortised cost	6(4)	9,275,320	22	8,037,220	23
1170	Accounts receivable, net	6(5)	7,429,009	18	7,067,598	20
1200	Other receivables		118,808	-	69,684	-
130X	Inventories	6(6)	3,883,814	9	2,360,044	7
1410	Prepayments		725,080	2	214,890	1
1470	Other current assets		62,251	-	1,694	-
11XX	Current Assets		31,946,671	75	25,952,009	75
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	57,016	-	30,550	-
1600	Property, plant and equipment	6(7)	8,485,676	20	7,323,353	21
1755	Right-of-use assets	6(8)	267,307	1	143,039	1
1780	Intangible assets	6(10)	20,645	-	46,150	-
1840	Deferred tax assets	6(28)	62,832	-	113,378	-
1900	Other non-current assets	6(11) and 8	1,927,226	4	845,208	3
15XX	Non-current assets		10,820,702	25	8,501,678	25
1XXX	Total assets		\$ 42,767,373	100	\$ 34,453,687	100

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FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2120	Financial liabilities at fair value through profit or loss - current	6(2)	\$	-	-	\$	448	-		
2170	Accounts payable			5,048,143	12		3,594,528	10		
2200	Other payables	6(12)		6,812,287	16		3,928,531	11		
2230	Income tax payable			1,070,568	2		561,039	2		
2280	Current lease liabilities			28,177	-		15,750	-		
2320	Long-term liabilities, current portion	6(13)		14,886	-		-	-		
2399	Other current liabilities, others			47,708	-		33,523	-		
21XX	Current Liabilities			13,021,769	30		8,133,819	23		
Non-current liabilities										
2530	Bonds payable	6(13)		-	-		2,093,521	6		
2540	Non-current portion of non-current borrowings	6(14)		2,955,362	7		1,349,962	4		
2570	Deferred tax liabilities	6(28)		1,162,822	3		884,776	3		
2580	Non-current lease liabilities			32,644	-		16,209	-		
2600	Other non-current liabilities	6(15)		37,287	-		47,598	-		
25XX	Non-current liabilities			4,188,115	10		4,392,066	13		
2XXX	Total Liabilities			17,209,884	40		12,525,885	36		
Equity attributable to owners of parent										
	Share capital	6(13)(16)(17)								
3110	Share capital - common stock			3,613,734	9		3,329,549	10		
3130	Certificates of bond-to-stock conversion			4,064	-		16,779	-		
	Capital surplus	6(13)(18)								
3200	Capital surplus			4,771,691	11		4,285,961	14		
	Retained earnings	6(19)								
3310	Legal reserve			2,129,895	5		1,814,575	5		
3320	Special reserve			523,311	1		303,446	1		
3350	Unappropriated retained earnings			15,077,940	35		13,239,945	38		
	Other equity interest	6(20)								
3400	Other equity interest		(563,146)	(1)	(771,663)	(3)
3500	Treasury stocks	6(17)		-	-	(290,790)	(1)	
31XX	Equity attributable to owners of the parent			25,557,489	60		21,927,802	64		
3XXX	Total equity			25,557,489	60		21,927,802	64		
	Significant contingent liabilities and unrecognised contract commitments	9								
	Significant events after the balance sheet date	11								
3X2X	Total liabilities and equity		\$	42,767,373	100	\$	34,453,687	100		

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

				Year ended December 31			
		Notes	2020		2019		
Items			AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(21)	\$ 29,897,996	100	\$ 26,033,230	100	
5000	Operating costs	6(6)(10)(26)(27)	(23,763,897)	(79)	(20,088,225)	(77)	
5900	Net operating margin		6,134,099	21	5,945,005	23	
	Operating expenses	6(10)(26)(27)					
6100	Selling expenses		(204,455)	(1)	(158,893)	(1)	
6200	General and administrative expenses		(664,589)	(2)	(568,461)	(2)	
6300	Research and development expenses		(1,826,427)	(6)	(1,420,631)	(6)	
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	691	-	93	-	
6000	Total operating expenses		(2,694,780)	(9)	(2,147,892)	(9)	
6900	Operating profit		3,439,319	12	3,797,113	14	
	Non-operating income and expenses						
7100	Interest income	6(4)(22)	137,348	-	147,628	1	
7010	Other income	6(23)	402,340	1	145,928	-	
7020	Other gains and losses	6(2)(24)	(138,853)	-	(731)	-	
7050	Finance costs	6(25)	(43,213)	-	(88,169)	-	
7000	Total non-operating income and expenses		357,622	1	204,656	1	
7900	Profit before income tax		3,796,941	13	4,001,769	15	
7950	Income tax expense	6(28)	(862,898)	(3)	(848,566)	(3)	
8200	Profit for the year		<u>\$ 2,934,043</u>	<u>10</u>	<u>\$ 3,153,203</u>	<u>12</u>	
	Other comprehensive income						
	Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Other comprehensive income, before tax, actuarial (losses) gains on defined benefit plans	6(15)	(\$ 613)	-	\$ 520	-	
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	(3,259)	-	-	-	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(20)	98,245	-	(219,865)	(1)	
8500	Total comprehensive income for the year		<u>\$ 3,028,416</u>	<u>10</u>	<u>\$ 2,933,858</u>	<u>11</u>	
	Profit attributable to:						
8610	Owners of parent		<u>\$ 2,934,043</u>	<u>10</u>	<u>\$ 3,153,203</u>	<u>12</u>	
	Comprehensive income attributable to:						
8710	Owners of parent		<u>\$ 3,028,416</u>	<u>10</u>	<u>\$ 2,933,858</u>	<u>11</u>	
	Earnings per share	6(29)					
9750	Basic earnings per share		<u>\$ 8.63</u>		<u>\$ 10.02</u>		
9850	Diluted earnings per share		<u>\$ 8.22</u>		<u>\$ 9.08</u>		

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent											
		Share capital			Retained earnings						
Notes	Common stock	Certificates of bond-to-stock conversion	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest	Treasury stocks	Total equity	
<u>Year ended December 31, 2019</u>											
Balance at January 1, 2019	\$ 3,182,142	\$ -	\$ 812	\$ 3,859,566	\$ 1,550,104	\$ 212,254	\$ 11,225,027	(\$ 303,446)	(\$ 524,782)	\$ 19,201,677	
Profit for the year	-	-	-	-	-	-	3,153,203	-	-	3,153,203	
Other comprehensive income (loss)	6(15)(20)	-	-	-	-	-	520	(219,865)	-	(219,345)	
Total comprehensive income (loss)	-	-	-	-	-	-	3,153,723	(219,865)	-	2,933,858	
Appropriation and distribution of 2018 earnings:											
Legal reserve	-	-	-	-	264,471	-	(264,471)	-	-	-	
Special reserve	-	-	-	-	-	91,192	(91,192)	-	-	-	
Cash dividends	6(19)	-	-	-	-	-	(783,142)	-	-	(783,142)	
Cash dividends from capital surplus	6(18)	-	-	(783,142)	-	-	-	-	-	(783,142)	
Share-based payment transactions	6(16)(17)(18)(20)	57,660	(812)	283,526	-	-	-	(248,352)	233,992	326,014	
Issuance of convertible bonds	6(13)(18)	-	-	246,517	-	-	-	-	-	246,517	
Conversion of convertible bonds	6(13)(17)(18)	89,747	16,779	678,249	-	-	-	-	-	784,775	
Due to donated assets received	6(18)	-	-	1,245	-	-	-	-	-	1,245	
Balance at December 31, 2019	\$ 3,329,549	\$ 16,779	\$ -	\$ 4,285,961	\$ 1,814,575	\$ 303,446	\$ 13,239,945	(\$ 771,663)	(\$ 290,790)	\$ 21,927,802	
<u>Year ended December 31, 2020</u>											
Balance at January 1, 2020	\$ 3,329,549	\$ 16,779	\$ -	\$ 4,285,961	\$ 1,814,575	\$ 303,446	\$ 13,239,945	(\$ 771,663)	(\$ 290,790)	\$ 21,927,802	
Profit for the year	-	-	-	-	-	-	2,934,043	-	-	2,934,043	
Other comprehensive income (loss)	6(15)(20)	-	-	-	-	-	(613)	94,986	-	94,373	
Total comprehensive income	-	-	-	-	-	-	2,933,430	94,986	-	3,028,416	
Appropriation and distribution of 2019 earnings:											
Legal reserve	-	-	-	-	315,320	-	(315,320)	-	-	-	
Special reserve	-	-	-	-	-	219,865	(219,865)	-	-	-	
Cash dividends	6(19)	-	-	-	-	-	(504,625)	-	-	(504,625)	
Cash dividends from capital surplus	6(18)	-	-	(1,177,458)	-	-	-	-	-	(1,177,458)	
Share-based payment transactions	6(16)(17)(18)(20)	7,640	-	43,308	-	-	-	113,531	-	164,479	
Conversion of convertible bonds	6(13)(17)(18)	301,409	(12,715)	1,830,181	-	-	-	-	-	2,118,875	
Retirement of treasury share	6(17)(18)	(24,864)	-	(210,301)	-	-	(55,625)	-	290,790	-	
Balance at December 31, 2020	\$ 3,613,734	\$ 4,064	\$ -	\$ 4,771,691	\$ 2,129,895	\$ 523,311	\$ 15,077,940	(\$ 563,146)	\$ -	\$ 25,557,489	

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,796,941	\$ 4,001,769
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(16)	164,479	89,249
Expected credit gain	12(2)	(691)	(93)
Provision for (reversal of) allowance sales returns and discounts	6(5)	126	(50,071)
Depreciation expense	6(7)(8)(26)	1,599,085	1,244,129
Depreciation expense from investment properties	6(9)(26)	-	4,167
Amortization of intangible and other assests	6(10)(26)	40,441	52,881
Profit on valuation of financial assets at fair value	6(2)(24)	(225,226)	(43,356)
Interest expense	6(25)	43,213	88,169
Interest income	6(22)	(137,348)	(147,628)
Loss on disposal of property, plant and equipment	6(24)	47,914	14,056
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		184,697	6,364
Increase in financial assets at amortised cost-current		(1,238,100)	(5,423,900)
Increase in accounts receivable		(360,846)	(198,712)
Increase in other receivables		(45,630)	(31,794)
(Increase) decrease in inventories		(1,523,770)	1,332,771
Increase in prepayments		(510,190)	(53,670)
Increase in other current assets		(60,557)	(1,694)
Changes in operating liabilities			
Decrease in financial liabilities at fair value		-	(1,401)
Increase (decrease) in accounts payable		1,453,615	(483,390)
Increase in other payables		1,794,783	93,784
Increase (decrease) in other current liabilities		14,185	(114,545)
Cash inflow generated from operations		5,037,121	377,085
Interest received		97,872	117,664
Payment of interest		(1,554)	(628)
Income tax paid		(24,671)	(636,285)
Net cash flows from (used in) operating activities		5,108,768	(142,164)

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FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at fair value		(\$ 5,793,023)	(\$ 6,636,856)
Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition		5,813,510	5,739,983
Increase in financial assets at fair value through other comprehensive income-non-current		(29,725)	(30,550)
Acquisition of property, plant and equipment	6(30)	(2,706,473)	(2,345,299)
Proceeds from disposal of property, plant and equipment		12,934	16,272
Acquisition of intangible assets	6(10)	(14,836)	(13,450)
Acquisition of right-of-use assets		(95,334)	-
Increase in refundable deposits		(15,314)	(81,578)
Interest received		36,137	31,560
Net cash flows used in investing activities		(2,792,124)	(3,319,918)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of principal portion of lease liabilities	6(31)	(33,853)	(23,131)
Proceeds from issuance of bonds	6(31)	-	3,069,952
Proceeds from long-term borrowings	6(31)	1,605,400	1,349,962
(Decrease) increase in other non-current liabilities		(10,924)	11,737
Cash dividends paid	6(18)(19)	(1,682,083)	(1,566,284)
Proceeds from issuance of stock from exercising employee stock options	6(16)	-	7,215
Treasury stock transferred to employees	6(16)	-	229,550
Donated assets received	6(18)	-	1,245
Net cash flows (used in) from financing activities		(121,460)	3,080,246
Effect of exchange rate changes on cash and cash equivalents		1,855	(84,823)
Net increase (decrease) in cash and cash equivalents		2,197,039	(466,659)
Cash and cash equivalents at beginning of year	6(1)	6,925,525	7,392,184
Cash and cash equivalents at end of year	6(1)	<u>\$ 9,122,564</u>	<u>\$ 6,925,525</u>

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

FLEXIUM INTERCONNECT, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

- (1) Flexium Interconnect, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company’s shares have been traded in the Taiwan Stock Exchange since September, 2003.
- (2) Please refer to Note 4(3) B. for the descriptions on the primary business operations of the Company and its subsidiaries (collectively referred herein as the “Group”).

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 17, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
			December 31,		
Name of investor	Name of subsidiary	Main business activities	2020	2019	Note
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO.,	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	Marketing supporting, and technology services	100	100	
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Business investment	100	100	
SUCCESS GLORY INVESTMENTS LTD. and UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	100	Note
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Business investment	100	100	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Business investment	100	100	
CLEAR SUCCESS GLOBAL LIMITED	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	100	

Note: As of December 31, 2020 and 2019, the ownership percentages of SUCCESS GLORY INVESTMENTS LTD. were both 74.11%, and the ownership percentages of UFLEX TECHNOLOGY CO., LTD. were both 25.89%.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

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

(9) Financial assets at amortised cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

(13) Operating leases (lessor)

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

(14) Inventories

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

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2 ~ 35 years
Machinery equipment	3 ~ 15 years
Transportation equipment	2 ~ 15 years
Office equipment	5 ~ 10 years
Other equipment	2 ~ 10 years

(16) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 years.

(18) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(19) Impairment of non-financial assets

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

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

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

(22) Financial liabilities at fair value through profit or loss

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

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

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

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus-stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable-net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(26) Non-hedging derivatives

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

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Employee restricted shares:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(29) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(32) Revenue recognition

- A. The Group manufactures and sells flexible printed circuit board products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(33) Government grants

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

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION
UNCERTAINTY

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

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

None.

(2) Critical accounting estimates and assumptions

A. Expected credit losses for accounts receivable

The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Group must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash:		
Cash on hand and revolving funds	\$ 907	\$ 1,018
Checking accounts and demand deposits	3,163,910	3,003,757
	<u>3,164,817</u>	<u>3,004,775</u>
Cash equivalents:		
Time deposits	5,957,747	3,670,729
Bonds sold under repurchase agreements	-	250,021
	<u>5,957,747</u>	<u>3,920,750</u>
	<u>\$ 9,122,564</u>	<u>\$ 6,925,525</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 16,074	\$ 31,664
Forward foreign exchange	55,702	8,303
Structured certificates of deposit	<u>1,267,041</u>	<u>1,251,504</u>
	1,338,817	1,291,471
Valuation adjustments	(9,014)	(16,117)
	<u>1,329,803</u>	<u>1,275,354</u>
Financial assets designated as at fair value through profit or loss		
Put options of convertible bonds	<u>22</u>	<u>-</u>
	<u>\$ 1,329,825</u>	<u>\$ 1,275,354</u>
Current items:		
Financial liabilities designated as at fair value through profit or loss		
Put options of convertible bonds	<u>-</u>	<u>448</u>
	<u>\$ -</u>	<u>\$ 448</u>

A. The Group recognised net gain of \$225,226 and \$43,356, respectively, for the years ended December 31, 2020 and 2019.

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

	December 31, 2020	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period
Current items:		
Structured certificates of deposit	RMB 30,000 thousand	2020.10~2021.01
Structured certificates of deposit	RMB 40,000 thousand	2020.10~2021.02
Structured certificates of deposit	RMB 110,000 thousand	2020.11~2021.02
Structured certificates of deposit	RMB 110,000 thousand	2020.12~2021.03
Forward foreign exchange contracts	USD 132,000 thousand	2020.10~2021.03
Forward foreign exchange contracts	USD 2,000 thousand	2020.11~2021.01

Derivative Financial Assets	December 31, 2019	
	Contract Amount (notional principal)	Contract Period
Current items:		
Structured certificates of deposit	RMB 170,000 thousand	2019.10~2020.01
Structured certificates of deposit	RMB 70,000 thousand	2019.12~2020.02
Structured certificates of deposit	RMB 50,000 thousand	2019.12~2020.03
Forward foreign exchange contracts	RMB 33,000 thousand	2019.11~2020.02

C. The Group has no financial assets at fair value through profit or loss pledged to others.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 60,275	\$ 30,550
Valuation adjustments	(3,259)	-
	<u>\$ 57,016</u>	<u>\$ 30,550</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$57,016 and \$30,550, respectively, as at December 31, 2020 and 2019.

B. Amounts that the Group recognised in other comprehensive income for the years ended December 31, 2020 and 2019 in relation to the financial assets at fair value through other comprehensive income were (\$3,259) and \$0, respectively.

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

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items		
Time deposits maturing in excess of three months	<u>\$ 9,275,320</u>	<u>\$ 8,037,220</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2020	2019
Interest income	<u>\$ 48,657</u>	<u>\$ 41,421</u>

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

(5) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 7,429,709	\$ 7,068,863
Less: Allowance for doubtful accounts	(415)	(1,106)
Allowance for sales returns and discounts	(285)	(159)
	<u>\$ 7,429,009</u>	<u>\$ 7,067,598</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Up to 90 days	\$ 7,408,649	\$ 7,043,497
91 to 180 days	2,369	6,735
181 to 365 days	1,411	88
Over one year	<u>17,550</u>	<u>18,543</u>
	<u>\$ 7,429,979</u>	<u>\$ 7,068,863</u>

The above ageing analysis was based on overdue dates.

B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of receivables from contracts with customers amounted to \$7,429,709, \$7,068,863 and \$6,870,153, respectively.

C. The Group does not hold collateral as security for accounts receivable.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$7,429,009 and \$7,067,598, respectively.

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

(6) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 677,665	\$ 476,045
Work in process and semi-finished goods	1,431,758	827,135
Finished goods	<u>1,774,391</u>	<u>1,056,864</u>
	<u>\$ 3,883,814</u>	<u>\$ 2,360,044</u>

The cost of inventories recognised as expense for the years ended December 31, 2020 and 2019, was \$23,763,897 and \$20,088,225 respectively, including the amount of \$313,837 for the year ended December 31, 2020, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventory were scrapped or sold, as well as the amount of \$238,842 for the year ended December 31, 2019, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold.

(7) Property, plant and equipment

A. Book values of property, plant and equipment are as follows:

	December 31, 2020	December 31, 2019
Land	\$ 786,599	\$ 786,599
Buildings	1,335,499	1,029,368
Machinery	4,459,340	4,832,717
Transportation equipment	5,667	8,079
Office equipment	962	966
Other equipment	153,400	100,390
Construction in progress and equipment under acceptance	1,744,209	565,234
	<u>\$ 8,485,676</u>	<u>\$ 7,323,353</u>

B. Changes in property, plant and equipment are as follows:

Cost	For the year ended December 31, 2020				
	Opening net book amount	Additions and transfer	Deduction	Effects of exchange rate changes	Closing net book amount
Land	\$ 786,599	\$ -	\$ -	\$ -	\$ 786,599
Buildings	1,956,702	450,561 (	16,229)	31,010	2,422,044
Machinery	9,816,657	985,898 (	108,902)	87,251	10,780,904
Transportation equipment	24,520	181	-	191	24,892
Office equipment	13,967	- (	85)	108	13,990
Other equipment	414,353	121,662 (	34,345)	4,031	505,701
Construction in progress and equipment under acceptance	565,234	1,170,418	-	8,557	1,744,209
	<u>\$ 13,578,032</u>	<u>\$ 2,728,720</u>	<u>(\$ 159,561)</u>	<u>\$ 131,148</u>	<u>\$ 16,278,339</u>

For the year ended December 31, 2019

Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Land	\$ 657,573	\$ -	\$ -	\$ 129,026	\$ -	\$ 786,599
Buildings	1,894,215	86,189	-	29,998	(53,700)	1,956,702
Machinery	7,661,439	2,532,867	(205,197)	-	(172,452)	9,816,657
Transportation equipment	20,735	3,172	(2,443)	3,482	(426)	24,520
Office equipment	14,374	-	-	-	(407)	13,967
Other equipment	393,369	40,230	(8,224)	(3,482)	(7,540)	414,353
Construction in progress and equipment under acceptance	342,910	226,416	-	-	(4,092)	565,234
	<u>\$ 10,984,615</u>	<u>\$ 2,888,874</u>	<u>(\$ 215,864)</u>	<u>\$ 159,024</u>	<u>(\$ 238,617)</u>	<u>\$ 13,578,032</u>

For the year ended December 31, 2020

Cost	Opening net book amount	Additions and transfer	Deduction	Effects of exchange rate changes	Closing net book amount
Buildings	\$ 927,334	\$ 147,894	(\$ 262)	\$ 11,579	\$ 1,086,545
Machinery	4,983,940	1,365,322	(88,688)	60,990	6,321,564
Transportation equipment	16,441	2,620	-	164	19,225
Office equipment	13,001	17	(85)	95	13,028
Other equipment	313,963	45,611	(9,678)	2,405	352,301
	<u>\$ 6,254,679</u>	<u>\$ 1,561,464</u>	<u>(\$ 98,713)</u>	<u>\$ 75,233</u>	<u>\$ 7,792,663</u>

For the year ended December 31, 2019						
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Buildings	\$ 802,646	\$ 125,750	\$ -	\$ 27,499	(\$ 28,561)	\$ 927,334
Machinery	4,229,496	1,053,562	(182,343)	-	(116,775)	4,983,940
Transportation equipment	15,473	2,427	(2,443)	1,404	(420)	16,441
Office equipment	13,334	38	-	-	(371)	13,001
Other equipment	293,095	36,229	(7,781)	(1,404)	(6,176)	313,963
	<u>\$ 5,354,044</u>	<u>\$ 1,218,006</u>	<u>(\$ 192,567)</u>	<u>\$ 27,499</u>	<u>(\$ 152,303)</u>	<u>\$ 6,254,679</u>

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2020 and 2019.

D. Details of property, plant and equipment transferred from investment property for the years ended December 31, 2020 and 2019 are provided in Note 6(9) B.

E. The Group did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating leases assets.

(8) Leasing arrangements - lessee

- A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for leasing, subleasing, selling or any action affecting the ownership of the lessor.
- B. Short-term leases with a lease term of 12 months or less comprise of certain machinery and equipment, business vehicles and accommodations.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 205,807	\$ 110,890
Buildings	56,812	32,067
Transportation equipment (Business vehicles)	4,688	82
	<u>\$ 267,307</u>	<u>\$ 143,039</u>
	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 4,238	\$ 3,192
Buildings	31,801	22,440
Transportation equipment (Business vehicles)	1,582	491
	<u>\$ 37,621</u>	<u>\$ 26,123</u>

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$157,015 and \$15,555, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
<u>Items affecting profit or loss</u>	<u>2020</u>	<u>2019</u>
Interest expense on lease liabilities	\$ 794	\$ 467
Expense on short-term lease contracts	50,112	34,724

- F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$84,759 and \$58,322, respectively.

(9) Investment property

There was no such transaction as of December 31, 2020.

	2019		
	Land	Buildings	Total
At January 1			
Cost	\$ 129,026	\$ 29,998	\$ 159,024
Accumulated depreciation and impairment	-	(23,332)	(23,332)
	<u>\$ 129,026</u>	<u>\$ 6,666</u>	<u>\$ 135,692</u>
Opening net book amount as at January 1	\$ 129,026	\$ 6,666	\$ 135,692
Reclassifications	(129,026)	(2,499)	(131,525)
Depreciation	-	(4,167)	(4,167)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At December 31			
Cost	\$ -	\$ -	\$ -
Accumulated depreciation and impairment	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	For the year ended December 31, 2019
Rental income from investment property	<u>\$ 3,399</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 4,446</u>

B. Investment property reclassified to property, plant and equipment amounted to \$131,525, due to the use of investment property was changed to self-use in 2019.

(10) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	2020	2019
At January 1	\$ 46,150	\$ 85,717
Additions-acquired separately	14,836	13,450
Amortization	(40,441)	(52,881)
Effects of exchange rate changes	100	(136)
At December 31	<u>\$ 20,645</u>	<u>\$ 46,150</u>

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2020	2019
Operating costs	\$ 131	\$ 37
Administrative expenses	11,478	11,951
Research and development expenses	28,832	40,893
	<u>\$ 40,441</u>	<u>\$ 52,881</u>

(11) Other non-current assets

Items	December 31, 2020	December 31, 2019
Prepayment for land purchases	\$ 366,659	\$ 582,435
Prepayment for equipment	1,285,405	2,925
Refundable deposits	275,162	259,848
	<u>\$ 1,927,226</u>	<u>\$ 845,208</u>

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

(12) Other payables

	December 31, 2020	December 31, 2019
Processing fees payable	\$ 2,402,739	\$ 765,658
Wages and salaries payable	537,384	370,667
Payables on employees' compensation and remuneration to directors and supervisors	203,000	172,763
Payables on machinery and equipment	2,133,232	1,044,282
Other payables	1,535,932	1,575,161
	<u>\$ 6,812,287</u>	<u>\$ 3,928,531</u>

(13) Bonds payable

	December 31, 2020	December 31, 2019
Third overseas unsecured convertible bonds	\$ 15,419	\$ 2,241,923
Less: Discount on bonds payable	(533)	(148,402)
	14,886	2,093,521
Less: current portion		
(Shown as long-term liabilities, current portion)	(14,886)	-
	<u>\$ -</u>	<u>\$ 2,093,521</u>

The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

- A. On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US\$100 million. Except for the Company's bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.
- B. Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As at December 31, 2020, the bonds with face value in the amount of US\$ 98,500 thousand had been converted into 39,116 thousand shares of common stocks (shown as 'Share capital - common stock' of \$391,156 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$2,725,585). And the registration was completed. In addition, the bonds with face value in the amount of US\$ 1,000 thousand had been converted into 406 thousand shares of common stocks (shown as 'certificates of bond-to-stock conversion' of \$4,064 and 'capital surplus, additional paid-in capital arising from bond conversion' of \$28,130), however, the registration is not yet completed.

- C. The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT\$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at December 31, 2020, the conversion price was adjusted to NT\$75.88 (in dollars) per share.
- D. The rules of put options are as follows:
- (a) The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:
- i. Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the "early redemption price for the bondholders"), after two years from the issue date.

- ii. If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the "early redemption amount").
 - iii. If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.
 - (b) The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.
 - (c) The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- E. The rules of redemption are as follows:
- (a) For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.
 - (b) If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.
 - (c) If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.
 - (d) The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.
- F. Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.
- G. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2020, the balance of "Capital reserve from stock options" after adjusting the amount converted into common stock is \$1,232. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through

profit or loss' in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

The annual effective interest rate of the bonds payable after separation is 3.335%.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.03%~1.30%	None	\$ 800,000
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.03%~1.30%	None	764,051
Unsecured borrowings	Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022.	0.03%~1.30%	None	1,391,311
				<hr/> 2,955,362
Less: Current portion				<hr/> -
				<hr/> <u>\$ 2,955,362</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.05%~1.30%	None	\$ 413,518
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments from June, 2022.	0.05%~1.30%	None	379,552
Unsecured borrowings	Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments from August, 2022.	0.05%~1.30%	None	556,892
				<hr/> 1,349,962
Less: Current portion				<hr/> -
				<hr/> <u>\$ 1,349,962</u>

Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(25).

(15) Pensions

A. Defined benefit plans

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 65,257	\$ 62,733
Fair value of plan assets	(44,578)	(41,300)
Net defined benefit liability		
(shown as 'Other non-current liabilities')	<u>\$ 20,679</u>	<u>\$ 21,433</u>

(c) Changes in present value of defined benefit obligations are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>For the year ended December 31, 2020</u>			
Balance at January 1	(\$ 62,733)	\$ 41,300	(\$ 21,433)
Interest (expense) income	(816)	548	(268)
	<u>(\$ 63,549)</u>	<u>\$ 41,848</u>	<u>(\$ 21,701)</u>
Remeasurements:			
Return on plan assets	-	1,095	1,095
(excluding amounts included in interest income or expense)			
Experience adjustments	(1,708)	-	(1,708)
	<u>(1,708)</u>	<u>1,095</u>	<u>(613)</u>
Pension fund contribution	-	1,635	1,635
Balance at December 31	<u>(\$ 65,257)</u>	<u>\$ 44,578</u>	<u>(\$ 20,679)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2019</u>			
Balance at January 1	(\$ 61,344)	\$ 38,091	(\$ 23,253)
Interest (expense) income	(950)	603	(347)
	(\$ 62,294)	\$ 38,694	(\$ 23,600)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	959	959
Experience adjustments	(439)	-	(439)
	(439)	959	520
Pension fund contribution	-	1,647	1,647
Balance at December 31	(\$ 62,733)	\$ 41,300	(\$ 21,433)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	<u>1.05%</u>	<u>1.30%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	1%	1%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 2,533)	\$ 2,660	\$ 11,244	(\$ 9,444)
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 2,602)	\$ 2,738	\$ 11,639	(\$ 9,687)

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

The method and assumptions used for the preparation of sensitivity analysis during 2019 and 2018 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$1,635.

(g) As of December 31, 2020, the weighted average duration of that retirement plan is 17.7 years.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Group contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$170,957 and \$164,549, respectively.

(16) Share-based payment

A. Options granted after January 1, 2008

(a) The exercise price under stock-based employee compensation plan in 2010 was determined at the closing price (\$46.95 in dollars per share) of the Company's common stock upon issuance of the stock option. If there is a change in common stock or the Company distributes cash dividend, the exercise price would be adjusted according to specific formulas. As of December 31, 2020, the exercise price of employee share options was adjusted to NT\$ 21.90 (in dollars). The expected vesting period is 10 years. After 2 years from the date of grant, an employee may exercise the options in accordance with certain schedules as prescribed by the employee option plan.

(b) Details of the share-based payment arrangements are as follows:

Stock options	2020		2019	
	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	118	\$ 21.90	429	\$ 23.20
Options exercised	-	-	(311)	23.20
Options expired	(118)	21.90	-	-
Options outstanding at December 31	-	-	118	21.90
Options exercisable at December 31	-	-	118	21.90

(c) The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2019 was \$96.70.

(d) The information on outstanding employee stock compensation plans is set forth below:

December 31, 2020					
Exercise price (in dollars)	Stock options outstanding			Stock options exercisable	
	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
\$ 21.90	118	2 months	\$ 21.90	118	\$ 21.90

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

	March 18, 2010
Dividend yield rate	0%
Expected price volatility	40%
Risk-free interest rate	2%
Expected terms	10 years
Weighted-average fair value per share (in dollars)	11.10~16.91

(e) Expenses incurred on equity-settled share-based payment transactions for the years ended December 31, 2020 and 2019 were both \$0.

B. On July 3, 2020 and July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

(a) Details of the share-based payment arrangements are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Number of shares granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Restricted stock transferred to employees (Note 1)	2020.07.03	1,000	3 years	Service period and performance condition (Note 2)
Restricted stock transferred to employees (Note 1)	2019.07.01	5,500	3 years	Service period and performance condition (Note 2)

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is 30%, 30% and 40%, respectively.

(b) Details of the share-based payment arrangements are as follows: (Shares in thousands)

	<u>2020</u>	<u>2019</u>
Employee restricted shares at January 1	5,420	-
Options issued for the year	1,000	5,500
Options retired for the year	(236)	(80)
Unrestriction for the year	(1,554)	-
Employee restricted shares at December 31	<u>4,630</u>	<u>5,420</u>

(c) Expenses incurred on share-based payment transactions amounted to \$164,479 and \$89,249 for the years ended December 31, 2020 and 2019.

C. On July 12, 2018, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the ninth purchase to employees.

(a) Information on the stock options is as follows:

Type of arrangement	Grant date	Number of shares (in thousands)	Vesting conditions
Treasury stock transferred to employee	2018.7.12	\$ 2,506	Vested immediately

(b) Details of the share-based payment arrangements are as follows:

Stock options	2019	
	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,506	\$ 93.37
Options exercised	(2,506)	91.60
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

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

Type of arrangement	Grant date	Weighted-average stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Risk-free interest rate	Fair value per share (in dollars)
Treasury stock transferred to employees	2018.7.12	\$ 97.90	\$ 93.37	39.74%	0.05	0.11%	\$ 6.19

(d) The compensation cost recognised at the grant date was \$15,512.

(17) Share capital

A. As of December 31, 2020, the Company's authorized capital was \$4,600,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$3,613,734, consisting of 361,374 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2020	2019
At January 1	330,469	313,222
Employee stock options exercised	-	346
Employee restricted shares	1,000	5,500
Employee restricted shares cancellation (	236) (	80)
Conversion of convertible bonds	30,141	8,975
Treasury share transferred to employees	-	2,506
At December 31	361,374	330,469

B. For the year ended December 31, 2019, the additions to employee restricted shares was \$3,460, and the registration was completed.

- C. The Board of Directors during its meeting on July 3, 2020 adopted a resolution to issue employee restricted ordinary shares (see Note 6(16)) with the effective date set on September 4, 2020. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- D. The Board of Directors during its meeting on July 1, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(16)) with the effective date set on September 5, 2019. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- E. The information on conversion requests on convertible bonds for the year ended December 31, 2020 and 2019 is provided in Note 6(13).
- F. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

There was no such transaction as of December 31, 2020.

		December 31, 2019	
Name of company		Number of shares	
<u>holding the shares</u>	<u>Reason for reacquisition</u>	<u>in thousands</u>	<u>Carrying amount</u>
The Company	For conversion of equity	<u>2,486</u>	<u>290,790</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting resolved to repurchase the Company's shares in the amount of 5 million shares that in accordance with related regulations on November 1, 2017. In addition, the Board of

Directors resolved to change the purpose of repurchased shares for equity transfer on December 21, 2017. The ordinary shares transferred from convertible bonds in 2018 were 2,514 thousand shares. As of December 31, 2020, the Company has repurchased its own shares in the amount of 5 million shares, including 2,514 thousand shares were distributed from equity transfer, remaining 2,486 thousand shares were retired.

(f) The shares which were repurchased by the Company and transferred to employees amounted to 5 million shares in accordance with related regulations, and as resolved by the Board of Directors on June 11, 2018. The shares transferred to the employees in 2019 were 2,506 thousand shares. As of December 31, 2020, the Company has repurchased its own shares in the amount of 2,506 thousand shares and all 2,506 thousand shares were transferred to employees.

(g) Information on treasury shares reissued to employees is provided in Note 6(16).

(18) Capital surplus

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

	2020							
	Share premium	Treasury share transactions	Employee stock options	Stock options	Donated assets	Employee restricted shares	Others	Total
At January 1, 2020	\$ 3,622,219	\$ 198,106	\$ 1,771	\$ 179,218	\$ 1,245	\$ 283,402	\$ -	\$ 4,285,961
Employee stock options expired	-	-	(1,771)	-	-	-	1,771	-
Employee restricted shares	-	-	-	-	-	43,308	-	43,308
Treasury shares cancellation	(12,195)	(198,106)	-	-	-	-	-	(210,301)
Cash dividends from capital surplus	(1,177,458)	-	-	-	-	-	-	(1,177,458)
Conversion option of convertible bonds	2,008,167	-	-	(177,986)	-	-	-	1,830,181
At December 31, 2020	<u>\$ 4,440,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,232</u>	<u>\$ 1,245</u>	<u>\$ 326,710</u>	<u>\$ 1,771</u>	<u>\$ 4,771,691</u>

	2019							
	Share premium	Treasury share transactions	Employee stock options	Stock options	Donated assets	Employee restricted shares		Total
At January 1, 2019	\$3,651,766	\$ 187,037	\$ 20,763	\$ -	\$ -	\$ -		\$3,859,566
Employee stock options exercised	8,047	-	(3,480)	-	-	-		4,567
Treasury stock transferred to employees	-	11,069	(15,512)	-	-	-	(	4,443)
Employee restricted shares	-	-	-	-	-	283,402		283,402
Due to donated assets received	-	-	-	-	1,245	-		1,245
Cash dividends from capital surplus	(783,142)	-	-	-	-	-	(	783,142)
Conversion option of convertible bonds	745,548	-	-	179,218	-	-		924,766
At December 31, 2019	<u>\$3,622,219</u>	<u>\$ 198,106</u>	<u>\$ 1,771</u>	<u>\$ 179,218</u>	<u>\$ 1,245</u>	<u>\$ 283,402</u>		<u>\$4,285,961</u>

- B. On June 18, 2020, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of \$1,177,458, at NT\$2.5 per share. On June 18, 2019, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of \$783,142, at NT\$2.5 per share. The above mentioned relevant shareholders' meeting resolutions and distribution please refer to "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- C. On February 17, 2021, the Board of Directors decided to distribute cash dividend from capital surplus in the amount of \$1,786,765, at NT\$ 5 per share.
- D. For details of capital reserve from stock options, please refer to Note 6(13).

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

In accordance with Article 240, Item 5 of the Company Law and Article 241 of the Company Law, the Company authorizes the Board of Directors to have more than two-thirds of directors present and resolutions of more than half of the directors present to distribute dividends or legal reserve and capital surplus are distributed in cash and reported to the shareholders meeting.

- B. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than \$0.1 per share, which will instead be distributed in the form of stocks.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company resolved that total dividends for the distribution of earnings for 2019 was \$783,142 (\$2.5 (in dollars) per share). On June 18, 2020, the shareholders resolved that total dividends for the distribution of earnings for 2019 was \$504,625 (\$1.5 (in dollars) per share).

(20) Other equity items

	2020			
	Currency translation	Unearned compensation	Unearned gain (losses) on valuation	Total
At January 1	(\$ 523,311)	(\$ 248,352)	\$ -	(\$ 771,663)
Currency translation differences:				
–Group	98,245	-	-	98,245
Issuance of employee restricted shares	-	(89,763)	-	(89,763)
Compensation cost of share-based payment		164,479	-	164,479
Valuation adjustments	-	38,815	(3,259)	35,556
At December 31	<u>(\$ 425,066)</u>	<u>(\$ 134,821)</u>	<u>(\$ 3,259)</u>	<u>(\$ 563,146)</u>
	2019			
	Currency translation	Unearned compensation	Unearned gain (losses) on valuation	Total
At January 1	(\$ 303,446)	\$ -	\$ -	(\$ 303,446)
Currency translation differences:				
–Group	(219,865)	-	-	(219,865)
Issuance of employee restricted shares	-	(248,352)	-	(248,352)
At December 31	<u>(\$ 523,311)</u>	<u>(\$ 248,352)</u>	<u>\$ -</u>	<u>(\$ 771,663)</u>

(21) Operating revenue

Disaggregation of revenue from contracts with customers

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

	For the years ended December 31,	
	2020	2019
	Revenue	Revenue
Taiwan	\$ 1,449,038	\$ 1,530,903
China	8,418,561	9,344,453
Asia (excluding Taiwan and China)	1,416,503	1,093,057
Europe and America	18,613,894	14,064,817
	<u>\$ 29,897,996</u>	<u>\$ 26,033,230</u>

(22) Interest income

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 95,816	\$ 116,068
Other interest income	41,532	31,560
	<u>\$ 137,348</u>	<u>\$ 147,628</u>

(23) Other income

	For the years ended December 31,	
	2020	2019
Rent income	2,695	3,682
Other income	399,645	142,246
	<u>\$ 402,340</u>	<u>\$ 145,928</u>

(24) Other gains and losses

	For the years ended December 31,	
	2020	2019
Losses on disposal of property, plant and equipment	(\$ 47,914)	(\$ 14,056)
Foreign exchange losses	(257,217)	(18,050)
Net gain on financial assets/ liabilities at fair value through profit or loss	225,226	43,356
Others	(58,948)	(11,981)
	<u>(\$ 138,853)</u>	<u>(\$ 731)</u>

(25) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 773	\$ 189
Convertible bonds	41,636	87,409
Others	804	571
	<u>\$ 43,213</u>	<u>\$ 88,169</u>

(26) Expenses by nature

	For the years ended December 31,	
	2020	2019
Employee benefit expense	\$ 4,265,894	\$ 3,631,407
Depreciation charge on property, plant and equipment	1,561,464	1,218,006
Depreciation expenses on right-of-use assets	37,621	26,123
Depreciation charge on investment property	-	4,167
Amortisation on intangible assets	40,441	52,881

(27) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 3,618,154	\$ 3,086,045
Employee restricted stock	164,479	89,249
Labor and health insurance fees	149,581	147,015
Pension costs	171,225	164,896
Other personnel expenses	162,455	144,202
	<u>\$ 4,265,894</u>	<u>\$ 3,631,407</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$83,000 and \$100,000, respectively; directors' and supervisors' remuneration were both \$20,000, respectively, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year as of the end of reporting period.

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

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

(28) Income tax

A. Income tax expense

Components of income tax expense:

	For the years ended December 31,	
	2020	2019
Current tax :		
Current tax on profits for the year	\$ 529,283	\$ 745,470
Tax on undistributed earnings	105,696	75,928
Overestimation of prior year's income tax	(100,779)	(29,658)
Total current tax	<u>534,200</u>	<u>791,740</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>328,698</u>	<u>56,826</u>
Income tax expense	<u>\$ 862,898</u>	<u>\$ 848,566</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 960,599	\$ 880,993
Effect from items adjusted in accordance with tax regulation	(102,618)	(78,697)
Tax on undistributed earnings	105,696	75,928
Overestimation of prior year's income tax	(100,779)	(29,658)
Income tax expense	<u>\$ 862,898</u>	<u>\$ 848,566</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	For the year ended December 31, 2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	December 31
Temporary differences:					
– Deferred tax assets:					
Allowance for obsolescence and decline	\$ 83,189	(\$ 42,866)	\$ -	\$ 110	\$ 40,433
Unrealised gross profit in market value of inventories	11,002	668	-	-	11,670
Unrealised compensated absences	4,686	1,372	-	-	6,058
Cost of bond issuance	1,846	(923)	-	-	923
Unrealised exchange loss	5,493	(5,493)	-	-	-
Refund liability	3,591	-	-	-	3,591
Unrealised estimated expense	2,401	(2,394)	-	-	7
Impairment of assets	951	(877)	-	(4)	70
Others	219	(139)	-	-	80
Subtotal	<u>\$ 113,378</u>	<u>(\$ 50,652)</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 62,832</u>
– Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(882,911)	(269,360)	-	-	(1,152,271)
Pension expense	(1,842)	(273)	-	-	(2,115)
Unrealised exchange gain	-	(8,392)	-	-	(8,392)
Others	(23)	(21)	-	-	(44)
Subtotal	<u>(\$ 884,776)</u>	<u>(\$ 278,046)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,162,822)</u>
Total	<u>(\$ 771,398)</u>	<u>(\$ 328,698)</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>(\$ 1,099,990)</u>

For the year ended December 31, 2019					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	December 31
Temporary differences:					
– Deferred tax assets:					
Allowance for sales returns and discounts	\$ 31,312	(\$ 31,312)	\$ -	\$ -	\$ -
Allowance for obsolescence and decline in market value of inventories	4,910	81,351	-	(3,072)	83,189
Unrealised gross profit	13,969	(2,967)	-	-	11,002
Unrealised compensated absences	3,272	1,414	-	-	4,686
Cost of bond issuance	-	1,846	-	-	1,846
Unrealised exchange loss	-	5,493	-	-	5,493
Refund liability	-	3,591	-	-	3,591
Unrealised estimated expense	1,748	653	-	-	2,401
Impairment of assets	-	988	-	(37)	951
Others	254	(35)	-	-	219
Subtotal	<u>\$ 55,465</u>	<u>\$ 61,022</u>	<u>\$ -</u>	<u>(\$ 3,109)</u>	<u>\$ 113,378</u>
– Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(760,493)	(122,418)	-	-	(882,911)
Pension expense	(1,582)	(260)	-	-	(1,842)
Unrealised exchange gain	(4,854)	4,854	-	-	-
Others	-	(24)	-	1	(23)
Subtotal	<u>(\$ 766,929)</u>	<u>(\$ 117,848)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>(884,776)</u>
Total	<u>(\$ 711,464)</u>	<u>(\$ 56,826)</u>	<u>\$ -</u>	<u>(\$ 3,108)</u>	<u>(\$ 771,398)</u>

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(29) Earnings per share

For the year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,934,043	340,009	\$ 8.63
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,934,043	340,009	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	20	
Employees' compensation	-	823	
Convertible bonds	31,816	16,100	
Employee restricted stock	-	3,972	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,965,859	360,924	\$ 8.22
For the year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,153,203	314,636	\$ 10.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,153,203	314,636	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	154	
Employees' compensation	-	1,046	
Convertible bonds	44,248	35,592	
Employee restricted stock	-	853	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,197,451	352,281	\$ 9.08

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2020	2019
Purchase of property, plant and equipment (including prepayments for business facilities)	\$ 3,795,423	\$ 3,191,769
Add: opening balance of payable on equipment	1,044,282	197,812
Less: ending balance of payable on equipment	(2,133,232)	(1,044,282)
Cash paid during the period	<u>\$ 2,706,473</u>	<u>\$ 2,345,299</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2020	2019
Convertible bonds being converted to capital stocks and capital surplus	<u>\$ 2,118,875</u>	<u>\$ 784,775</u>

(31) Changes in liabilities from financing activities

	2020			
	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 31,959	\$ 2,093,521	\$ 1,349,962	\$ 3,475,442
Changes in cash flow from financing activities (	33,853)	-	1,605,400	1,571,547
Increase in lease liabilities	61,681	-	-	61,681
Amortisation of discounts on bonds payable	-	41,636	-	41,636
Put options of convertible bonds	- (	1,396)	- (	1,396)
Convertible bonds converted to capital stocks and capital surplus	- (	2,118,875)	- (	2,118,875)
Impact of changes in foreign exchange rate	1,034	-	-	1,034
At December 31	<u>\$ 60,821</u>	<u>\$ 14,886</u>	<u>\$ 2,955,362</u>	<u>\$ 3,031,069</u>

	2019			
	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 40,439	\$ -	\$ -	\$ 40,439
Changes in cash flow from financing activities (	23,131)	3,069,952	1,349,962	4,396,783
Increase in lease liabilities	15,555	-	-	15,555
Amortisation of discounts on bonds payable	-	87,409	-	87,409
Conversion rights of convertible bonds	- (	246,517)	- (	246,517)
Put options of convertible bonds	- (	32,548)	- (	32,548)
Convertible bonds converted to capital stocks and capital surplus	- (	784,775)	- (	784,775)
Impact of changes in foreign exchange rate	(904)	-	-	(904)
At December 31	<u>\$ 31,959</u>	<u>\$ 2,093,521</u>	<u>\$ 1,349,962</u>	<u>\$ 3,475,442</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$ 70,987	\$ 81,174
Post-employment benefits	161	187
Share-based payments	36,543	20,929
	<u>\$ 107,691</u>	<u>\$ 102,290</u>

8. PLEDGED ASSETS

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Refundable deposits (recorded in “Other current assets” and “Other non-current assets”)	<u>\$ 259,479</u>	<u>\$ 244,439</u>	Guarantee for land bid and gas

9. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) As of December 31, 2020 and 2019, the Group issued promissory notes amounting to \$3,701,055 and \$2,111,387 for loans, sales on credit and forward exchange contracts, respectively.
- (2) As of December 31, 2020 and 2019, the Group entered into several contracts for construction and acquisition of machinery with total values of \$7,441,094 and \$5,419,602, respectively, and the unpaid balance on these contracts amounted to \$4,133,575 and \$4,278,881, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

- (1) On November 4, 2020, the Board of Directors resolved to issue the Company’s fourth time overseas unsecured convertible bonds at 102% of face value, and the total issuance amount was US\$120 million, cover a 3-year period of issuance. The issuance of the unsecured convertible bonds was approved by the FSC, and the unsecured convertible bonds was listed on Singapore Exchange Limited on January 25, 2021.
- (2) To fulfil working capital needs and repay bank borrowings and corporate bonds, while taking into consideration the timeliness and feasibility of financing and issue cost, the Board of Directors during their meeting on February 17, 2021 resolved to raise capital from strategic investors through public or private offering or a combination of the two to issue common shares, issue new shares to participate in global depository receipt or issue foreign or domestic convertible bonds at several times or at the same time at an appropriate timing, and their actual issuing shares or convertible shares will be delegated to the Board of Directors issuing within 36,000 thousand shares depending on the condition of capital market after proposing to the shareholder for approval.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt is calculated as 'current and non-current liabilities' as shown in the consolidated balance sheet.

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 17,209,884	\$ 12,525,885
Total assets	\$ 42,767,373	\$ 34,453,687
Gearing ratio	40	36

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,329,803	\$ 1,275,354
Financial assets designated at fair value through profit or loss on initial recognition	22	-
	<u>\$ 1,329,825</u>	<u>\$ 1,275,354</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 57,016</u>	<u>\$ 30,550</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 9,122,564	\$ 6,925,525
Financial assets at amortised cost	9,275,320	8,037,220
Accounts receivable	7,429,009	7,067,598
Other receivables	118,808	69,684
Refundable deposits	336,645	259,848
	<u>\$ 26,282,346</u>	<u>\$ 22,359,875</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	\$ -	\$ 448
Financial liabilities at amortised cost		
Accounts payable	\$ 5,048,143	\$ 3,594,528
Other payables	6,812,287	3,928,531
Bonds payable (including current portion)	14,886	2,093,521
Long-term borrowings (including current portion)	2,955,362	1,349,962
Guarantee deposits received	14,232	26,165
	<u>\$ 14,844,910</u>	<u>\$ 10,992,707</u>
Lease liabilities	<u>\$ 60,821</u>	<u>\$ 31,959</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020						
(Foreign currency: functional currency)	Foreign currency			Sensitivity analysis		
	amount	Exchange rate	Book value	Degree of	Effect on profit	Effect on other
	(In thousands)		(NTD)	variation	or loss	comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 379,350	28.508	\$ 10,814,510	1%	\$ 108,145	\$ -
USD:RMB	296,000	6.5249	8,438,368	1%	84,384	-
<u>Non-monetary items</u>						
USD:NTD	2,000	28.508	57,016	1%	-	570
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	353,333	28.508	10,072,817	1%	(100,728)	-
USD:RMB	177,751	6.5249	5,067,326	1%	(50,673)	-
December 31, 2019						
(Foreign currency: functional currency)	Foreign currency			Sensitivity analysis		
	amount	Exchange rate	Book value	Degree of	Effect on profit	Effect on other
	(In thousands)		(NTD)	variation	or loss	comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 349,054	30.1060	\$ 10,508,620	1%	\$ 105,086	\$ -
USD:RMB	206,267	6.9762	6,209,874	1%	62,099	-
<u>Non-monetary items</u>						
USD:NTD	1,000	30.1060	30,550	1%	-	306
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	233,573	30.1060	7,031,949	1%	(70,319)	-
USD:RMB	135,962	6.9762	4,093,272	1%	(40,933)	-

- v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$257,217 and \$18,050, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$71 and \$155, respectively, as a result of gains/losses on equity securities classified as at fair value thorough profit or loss. Other components of equity would have increased/decreased by \$570 and \$306, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.
- ii. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. As of December 31, 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- iii. If borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$7,388 and \$3,375, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables.
- v. The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the provision matrix classified by customers are as follows:

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2020						
Total book value	\$ 5,372,354	\$ 8,028	\$ 1,434,279	\$ 334,844	\$ 280,204	\$ 7,429,709
Allowance for sales returns and discounts	(285)	-	-	-	-	(285)
Book value	<u>\$ 5,372,069</u>	<u>\$ 8,028</u>	<u>\$ 1,434,279</u>	<u>\$ 334,844</u>	<u>\$ 280,204</u>	<u>\$ 7,429,424</u>
Expected loss rate	0.00%	0.00%	0.01%	0.01%	0.01%	
Loss allowance	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ 121</u>	<u>\$ 26</u>	<u>\$ 22</u>	<u>\$ 415</u>
	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2019						
Total book value	\$ 4,141,352	\$ 23,550	\$ 2,370,307	\$ 453,904	\$ 79,750	\$ 7,068,863
Allowance for sales returns and discounts	(159)	-	-	-	-	(159)
Book value	<u>\$ 4,141,193</u>	<u>\$ 23,550</u>	<u>\$ 2,370,307</u>	<u>\$ 453,904</u>	<u>\$ 79,750</u>	<u>\$ 7,068,704</u>
Expected loss rate	0.01%	0.01%	0.02%	0.03%	0.00%	
Loss allowance	<u>\$ 411</u>	<u>\$ 3</u>	<u>\$ 572</u>	<u>\$ 117</u>	<u>\$ 3</u>	<u>\$ 1,106</u>

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

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

	2020	2019
	Accounts receivable	Accounts receivable
At January 1	\$ 1,106	\$ 1,201
Reversal of impairment loss	(691)	(93)
Effects of exchange rate changes	-	(2)
At December 31	<u>\$ 415</u>	<u>\$ 1,106</u>

For provisioned loss for the years ended December 31, 2020 and 2019, the reversal of impairment loss and impairment loss arising from customers' contracts is \$691 and \$93, respectively.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, Bonds with repurchase agreements, structured certificates of deposit and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2020 and 2019, the Group held money market position of \$19,671,078 and \$16,228,778, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities:			
Accounts payable	\$ 5,048,143	\$ -	\$ -
Other payables	6,812,287	-	-
Lease liabilities	29,526	27,784	5,820
Bonds payable	15,419	-	-
Long-term borrowings	887	326,132	2,631,823
Derivative financial liabilities: None.			
<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities:			
Accounts payable	\$ 3,594,528	\$ -	\$ -
Other payables	3,928,531	-	-
Lease liabilities	16,086	8,834	7,925
Bonds payable	-	2,241,923	-
Long-term borrowings	675	675	1,351,939
Derivative financial liabilities:			
Put options of convertible bonds	448	-	-

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in certain derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, guarantee deposits paid (recorded in "Other current assets" and "Other non-current assets"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets-others"), are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 7,060	\$ -	\$ -	\$ 7,060
Forward foreign exchange contracts	-	55,702	-	55,702
Structured certificates of deposit	-	1,267,041	-	1,267,041
Put options of convertible bonds	-	-	22	22
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	57,016	57,016
	<u>\$ 7,060</u>	<u>\$ 1,322,743</u>	<u>\$ 57,038</u>	<u>\$ 1,386,841</u>
Liabilities: None.				

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 15,547	\$ -	\$ -	\$ 15,547
Forward foreign exchange contracts	-	8,303	-	8,303
Structured certificates of deposit	-	1,251,504	-	1,251,504
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	30,550	30,550
	<u>\$ 15,547</u>	<u>\$ 1,259,807</u>	<u>\$ 30,550</u>	<u>\$ 1,305,904</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Put options of convertible bonds	\$ -	\$ -	\$ 448	\$ 448

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price
ii. The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties.	
iii. Forward exchange contracts are usually valued based on the current forward exchange rate.	
iv. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.	
v. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)H.	

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2020 and 2019:

	2020	
	Derivative instruments	Non-derivative equity instruments
At January 1	(\$ 448)	\$ 30,550
Investments in the year	-	29,725
Gains recognised in profit or loss (Note)	1,866	-
Losses recognised in other comprehensive income	-	(3,259)
Conversion in the year	(1,396)	-
December 31	<u>\$ 22</u>	<u>\$ 57,016</u>

Movement of unrealised gain in profit or loss of assets

and liabilities held as of December 31, 2020 (Note)	<u>\$ 1,866</u>	<u>\$ -</u>
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	2019	
	Derivative instruments	Non-derivative equity instruments
At January 1	\$ -	\$ -
Issued in the period	(32,848)	-
Gains recognised in profit or loss (Note)	32,100	-
Investments in the year	-	30,550
Conversion in the year	300	-
December 31	<u>(\$ 448)</u>	<u>\$ 30,550</u>

Movement of unrealised gain in profit or loss of assets

and liabilities held as of December 31, 2019 (Note)	<u>\$ 32,100</u>	<u>\$ -</u>
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Note: Recorded as non-operating income and expense.

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instruments:					
Convertible bonds	\$ 22	Binary tree Convertible bond valuation	Stock price volatility	35.77%~43.60%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 57,016	Discounted cash flow	Long-term revenue growth rate and long- term pre-tax operating margin	N/A	The higher the long- term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instruments:					
Convertible bonds	(\$ 448)	Binary tree Convertible bond valuation	Stock price volatility	34.32%~37.56%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 30,550	Discounted cash flow	Long-term revenue growth rate and long- term pre-tax operating margin	N/A	The higher the long- term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

December 31, 2020						
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	\$ 57,016	±1%	\$ -	\$ -	\$ 570	(\$ 570)
Hybrid instruments	Stock price volatility	±5%	\$ 2,663	(\$ 1,775)	\$ -	\$ -

		December 31, 2019					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instruments	\$ 30,550	±1%	\$ -	\$ -	\$ 306	(\$ 306)	
Financial liabilities							
Hybrid instruments	Stock price volatility	±5%	\$ 309	\$ -	\$ -	\$ -	

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Names of shareholders who hold more than 5% of the Company: None.

14. SEGMENT INFORMATION

(1) General information

The Group operates business in manufacturing and sale of flexible PCBs. The Group allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group evaluates the performances of the operating segments based on their net income (loss).

(3) Information about segment profit or loss, assets and liabilities

The segment information is provided to the Chief Operating Decision-Maker for the reportable segments. Please refer to the balance sheet and statement of comprehensive income.

(4) Reconciliation for segment income (loss)

The revenue from customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the Chief Operating Decision-Maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Revenue from external customers is mainly from sales of flexible printed circuit boards and related raw materials and supplies.

(6) Revenue information by geographic areas

Revenue information by geographic areas of the Group for 2020 and 2019 is shown below:

	For the years ended December 31,			
	2020		2019	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	\$ 1,449,038	\$ 6,454,640	\$ 1,530,903	\$ 4,565,836
China	8,418,561	4,246,173	9,344,453	3,791,854
Asia (excluding Taiwan and China)	1,416,503	-	1,093,057	-
Europe and America	18,613,894	41	14,064,817	60
	<u>\$ 29,897,996</u>	<u>\$ 10,700,854</u>	<u>\$ 26,033,230</u>	<u>\$ 8,357,750</u>

Revenue recognition is based on clients' geographic locations and non-current assets are classified based on their locations.

(7) Information on major customers

For the years ended December 31,			
2020		2019	
Company Name	Revenue	Company Name	Revenue
A customer	\$ 18,401,562	A customer	\$ 13,931,732

Flexium Interconnect Inc.
Loans to others
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					December 31, 2020	December 31, 2020							Item	Value			
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	\$ 1,277,874	\$ 1,227,874	\$ -	-	Note 1	\$ -	Company operation	\$ -	-	\$ -	\$ 2,555,748	\$ 10,222,995	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	1,277,874	1,277,874	-	-	Note 1	-	Company operation	-	-	-	2,555,748	10,222,995	-

Note 1: Fill in purpose of loan when nature of loan is for short-term financing.

Note 2: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 3: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Flexium Interconnect Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
FLEXIUM INTERCONNECT INC.	Etherdyne Technologies, Inc	None.	Financial assets at fair value through other comprehensive income - non-current	1,607,548	\$ 57,016	15.00%	\$ 57,016	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Mycenax Biotech Inc. (Stock)	None.	Financial assets at fair value through profit or loss - current	128,124	7,060	Note 2	7,060	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial instruments'

Note 2: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
FLEXIUM INTERCONNECT INC.	Land	September 12, 2018	\$ 1,671,593	\$ 250,494	Kaohsiung City government	Non-related party	-	-	-	\$ -	- Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT INC.	Buildings and structures	March 11, 2019	777,000	559,440	Li Jin engineering Co., Ltd.	Non-related party	-	-	-	-	- Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Buildings and structures	July 30, 2019	458,000	135,464	Lee Ming construction Co., Ltd.	Non-related party	-	-	-	-	- Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT INC.	Land	February 27, 2020	774,432	116,165	Kaohsiung City government	Non-related party	-	-	-	-	- Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land turned over
FLEXIUM INTERCONNECT INC.	Buildings and structures	October 8, 2020	555,975	-	Acter Technology Co., Ltd.	Non-related party	-	-	-	-	- Price comparison and negotiation	Building plants	None
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Land	December 12, 2019	606,038	606,038	Taiflex (Kunshan) incorporation	Non-related party	-	-	-	-	- Price appraisal and negotiation	Building plants	None
			(Note)	(Note)									

Note: The real estate acquired was appraised pursuant to the regulations amounting to RMB 138,710, and the numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$4.37 : RMB1.00.

Flexium Interconnect Inc.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	(\$ 497,109)	2	180 days	Note 2	Note 2	\$ -	-	Note 9
GRANDPLUS ENTERPRISES	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(497,109)	18	180 days	Note 3	Note 3	-	-	Note 9
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	(497,109)	18	180 days	Note 4	Note 4	-	-	Note 9
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	(3,652,252)	12	180 days	Note 2	Note 2	1,965,011	21	Note 9
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(2,226,512)	8	90 days	Note 5	Note 5	-	-	Note 9
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	(2,226,512)	82	90 days	Note 6	Note 6	-	-	Note 9
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Sales	(2,226,512)	82	90 days	Note 7	Note 7	-	-	Note 9
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	Sales	(18,218,136)	68	90 days	Note 5	Note 5	8,230,111	98	
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	(603,021)	100	90 days	Note 8	Note 8	413,404	100	

Note 1: If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, only sales transaction is required to disclose.

Note 2: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 3: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 4: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED, and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 7: The transaction prices to related parties are similar with those to third parties. The collection periods to third parties are 60 to 90 days after the end of each month while those to related parties are 90 days after the end of each month.

Note 8: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Note 9: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was \$4,149,361 for the year ended December 31, 2020.

Flexium Interconnect Inc.
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$1,965,011	3.72	\$ -	-	\$ 798,303	\$ -
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable \$8,230,111	4.43	-	-	5,804,576	-
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable \$ 413,404	1.50	-	-	71,923	-

Flexium Interconnect Inc.
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Details of significant inter-company transactions reaching NT\$100 million or 20% of paid-in capital or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	1	Sales	\$ 497,109	Note 3	2
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Sales	3,652,252	Note 3	12
0	FLEXIUM INTERCONNECT INC	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	1	Accounts receivable	1,965,011	Note 3	5
1	GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	3	Sales	497,109	Note 5	2
1	GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	2	Sales	2,226,512	Note 4	7
2	CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	497,109	Note 6	2
2	CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Sales	2,226,512	Note 7	7
3	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	3	Sales	2,226,512	Note 8	7
3	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Sales	18,218,136	Note 8	61
3	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	8,230,111	Note 8	19
4	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	603,021	Note 9	2
4	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	413,404	Note 9	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.

For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 4: The processing prices were determined in accordance with mutual agreements. The collection period to third parties is 60 to 90 days after the end of each month while those to related parties is 90 days after the end of each month.

Note 5: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 7: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 8: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED and the collection period is approximately 90 days after the end of each month.

Note 9: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.
Information on investees
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2020						
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Balance	Balance	Number of shares	Ownership (%)	Book value	Net profit (loss)	Investment income	Footnote	
				as at December 31, 2020	as at December 31, 2019				of the investee for the year ended December 31, 2020 (Note 2(2))	(loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3))		
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	\$ 835,252	\$ 835,252	50,000	100	\$ 5,047,556	\$ 982,804	\$ 983,976	Note 1	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	39,711	39,711	50,000	100	1,735,540	343,339	343,749	Note 1	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	41,040	10,923	10,923		
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,123,016	23,173	23,173		
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	8,067	8,067	-	100	5,487	(2,998)	(2,998)		
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	182	(157)	-	Note 2	
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	719,042	719,042	23,510,000	100	5,153,119	982,961	-	Note 2	
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-		
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	-	(34)	-	Note 2	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Samoa	General investments	-	-	-	100	21	-	-	Note 2	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Samoa	General investments	1,064,460	1,064,460	35,000,000	100	1,123,016	23,173	-	Note 2	

Note 1: Investment income (loss) recognised by the Company for the year ended December 31, 2020 included elimination of unrealised gain (loss).

Note 2: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Table 8

Flexium Interconnect Inc.
Information on investments in Mainland China
For the year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	\$ 2,329,414	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 736,903	\$ -	\$ -	\$ 736,903	\$ 1,326,339	100	\$ 1,326,339	\$ 6,916,661	\$ -	Note 1 、 3
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	997,780	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	997,780	-	-	997,780	23,173	100	23,173	1,123,016	-	Note 1 、 4

Note 1: The financial statements are audited and attested by R.O.C. parent company's CPA.
Note 2: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT\$28.208 US\$1.00.
Note 3: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO., LTD.
Note 4: The Group invested in the compnay through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FLEXIUM INTERCONNECT INC.	\$ 1,734,683	\$ 3,210,320	\$ -	

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as 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.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others	
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020		
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	(\$ 20,444,648)	71	\$ -	-	(\$ 8,230,111)	91	\$ -	-	\$ -	\$ -	-	\$ -	Other expenses	\$ 58,143
	4,149,361	14			1,965,011	21							Other receivables	27,863
													Other payables	35,627

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount for the year ended December 31, 2020 was \$4,149,361.