TAIFLEX SCIENTIFIC COMPANY LIMITED

Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

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Notice to Readers

The English parent company only financial statements are not reviewed nor audited by independent auditors. They have been translated into English from the original Chinese version which are audited by independent auditors. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

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Independent Auditors' Report

To Taiflex Scientific Co., Ltd.

Audit opinion

We have audited the parent company only balance sheets of Taiflex Scientific Co., Ltd. (hereinafter referred to as "Taiflex" or the "Company") as of December 31, 2020 and 2019; and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to parent company only financial statements (including a summary on significant accounting policies).

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

Basis for audit opinion

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

Key audit matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of Taiflex for the year ended December 31, 2020 based on our professional judgment. These matters have been covered during the audit of the overall parent company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Impairment of receivables

   Net receivables generated from the selling of flexible copper-clad laminate and cover layer amounted to NT$2,951,009 thousand and accounted for 27% of Taiflex's total assets as of December 31, 2020. Hence, it was considered a material item to the Company. Loss allowance for accounts receivables was measured at an amount equal to lifetime expected credit losses. As the measurement of expected credit losses involved judgment, analysis and estimation and the outcome would affect the net accounts receivables, the impairment of receivables was identified as a key audit matter.

Our audit procedures included, but not limited to, the assessment on the appropriateness of expected credit loss rate for receivables, i.e., tests on the effectiveness of internal control established by the management for receivables, random selection of customers for receivable confirmations, and verification of subsequent collections in order to assess the recoverability of receivables. We tested the accuracy of aging, analyzed changes in aging, and assessed the reasonableness of receivables with longer collection terms.

We also considered the appropriateness of disclosures on receivables and associated risks in Notes 5 and 6 to the parent company only financial statements.

2. Inventory valuation

As of December 31, 2020, net inventories of flexible copper-clad laminate and cover layer amounted to NT$881,132 thousand; thus, it was a significant item to Taiflex. Due to uncertainties arising from rapid changes in product technologies, allowance for inventory obsolescence and valuation losses involved significant judgment of management. Hence, it was considered a key audit item.

Our audit procedures included, but not limited to, tests on the effectiveness of internal control established by the management for inventories, such as cost carryover of inventories, assessment on inventory status, evaluation on management’s stocktaking plans, and on-site observation of stocktaking at major warehouses to ensure the quantities and conditions of inventories. We assessed the accuracy of inventory aging, analyzed movements in inventory aging, and considered the expected demand and market value of inventories. We evaluated management’s analyses and assessments on obsolete inventories, including the estimations on the possibility of inventory realization and net realizable value, and tested whether the allowance for writing down inventories to their net realizable value was adequate.

We also considered the appropriateness of disclosures on inventories in Notes 5 and 6 to the parent company only financial statements.

Responsibilities of management and those charged with governance for the parent company only financial statements

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability of Taiflex in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Taiflex or cease the operations, or has no realistic alternative but to do so.

The governance bodies of Taiflex (including Audit Committee) are responsible for supervising the financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute appropriate counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Taiflex's internal control.

3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.

4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on Taiflex's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need 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 result in Taiflex ceasing to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately represent the underlying transactions and events.

6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within Taiflex Group to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit on those investees and the preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of Taiflex's parent company only financial statements for the year ended December 31, 2020. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Ernst & Young

February 24, 2021

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2020	December 31, 2019
Current assets			
Cash and cash equivalents	4, 6(1)	$ 1,207,757	$ 1,678,502
Financial assets at fair value through profit or loss - current	4, 6(2)	29,832	38,131
Financial assets at amortized cost - current	4, 6(3)	138,719	49,000
Notes receivable, net	4, 6(4)	1,578	2,940
Accounts receivable, net	4, 6(5)	1,863,251	1,426,216
Accounts receivable – related parties	6(5), 7	1,086,180	1,068,051
Other receivables		42,862	18,878
Other receivables – related parties	7	125,657	459,778
Inventories, net	4, 6(6)	881,132	626,770
Prepayments		31,654	22,678
Other current assets	8	21,439	21,784
Total current assets		5,430,061	5,412,728
Non-current assets			
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	-	-
Investments accounted for under the equity method	4, 6(8)	2,794,135	2,690,742
Property, plant and equipment	4, 6(9)	2,193,741	2,212,219
Right-of-use assets	4, 6(19)	251,158	259,165
Intangible assets	4, 6(10)	50,467	52,531
Deferred income tax assets	4, 6(22)	131,151	136,925
Other non-current assets	4, 6(11)	6,384	7,908
Total non-current assets		5,427,036	5,359,490
Total assets		$ 10,857,097	$ 10,772,218

(Continued)

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS-(Continued)
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2020	December 31, 2019
Current liabilities			
Short-term loans	6(12)	$ 150,000	$ 670,000
Financial liabilities at fair value through profit or loss - current	4, 6(13)	11,294	278
Contract liabilities - current	4, 6(17)	492	-
Notes payable		12	-
Accounts payable		1,413,506	780,269
Accounts payable – related parties	7	11,091	3,092
Other payables		476,475	429,162
Other payables – related parties	7	18,497	21,194
Current income tax liabilities	4, 6(22)	266,652	128,071
Lease liabilities - current	4, 6(19)	10,554	11,058
Current portion of long-term loans	6(14)	25,000	-
Other current liabilities		1,981	1,962
Total current liabilities		2,385,554	2,045,086
Non-current liabilities			
Long-term loans	6(14)	415,630	900,000
Deferred income tax liabilities	4, 6(22)	89,607	111,415
Lease liabilities – non-current	4, 6(19)	244,484	250,124
Net defined benefit liabilities - non-current	4, 6(15)	261,958	219,550
Total non-current liabilities		1,011,679	1,481,089
Total liabilities		3,397,233	3,526,175
Equity			
Capital	6(16)		
Common stock		2,091,197	2,091,197
Capital surplus	6(16)	1,066,147	1,342,759
Retained earnings			
Legal capital reserve		939,900	882,821
Special capital reserve		230,993	166,117
Unappropriated earnings		3,365,926	2,994,142
Total retained earnings		4,536,819	4,043,080
Others	4	(234,299)	(230,993)
Total equity		7,459,864	7,246,043
Total liabilities and equity		$ 10,857,097	$ 10,772,218

(Concluded)

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

	Notes	2020	2019
Net revenue	4, 6(17), 7	$ 7,491,041	$ 6,919,495
Cost of revenue	4, 6(6), 6(20),7	(5,703,657)	(5,195,358)
Gross profit		1,787,384	1,724,137
Unrealized sales profit or loss		(1,255)	2,035
Realized sales profit or loss		-	-
Gross profit, net		1,786,129	1,726,172
Operating expenses	4, 6(20)		
Sales and marketing expenses		(301,917)	(243,123)
General and administrative expenses		(257,229)	(244,327)
Research and development expenses		(260,938)	(265,762)
Expected credit gains	6(18)	7,669	20,629
Total operating expenses		(812,415)	(732,583)
Operating income		973,714	993,589
Non-operating income and expenses	6(21)		
Interest income		5,168	20,774
Other income		24,984	15,921
Other gains and losses		(116,375)	(90,544)
Finance costs		(15,318)	(17,114)
Share of profit or loss of subsidiaries and associates accounted for under the equity method	4, 6(8)	42,685	(139,902)
Total non-operating income and expenses		(58,856)	(210,865)
Income before income tax		914,858	782,724
Income tax expense	4, 6(22)	(141,999)	(152,043)
Net income of continuing operations		772,859	630,681
Net income		772,859	630,681
Other comprehensive income (loss)	6(21)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		(35,220)	(74,851)
Income tax related to items that will not be reclassified subsequently	6(22)	7,044	14,970
Items that may be reclassified subsequently to profit or loss	6(21)		
Exchange differences on translation of foreign operations		(4,132)	(81,094)
Income tax related to items that may be reclassified subsequently	6(22)	826	16,218
Total other comprehensive income (loss), net of tax		(31,482)	(124,757)
Total comprehensive income		$ 741,377	$ 505,924
Earnings per share (NT$)	4, 6(23)		
Earnings per share - basic		$ 3.70	$ 3.02
Earnings per share - diluted		$ 3.67	$ 3.00

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Others		
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Total Equity
Balance as of January 1, 2019	$ 2,091,197	$1,446,639	$ 815,590	$ 75,546	$ 2,999,383	$ (159,517)	$ (6,600)	$ 7,262,238
Appropriation and distribution of 2018 earnings								
Legal capital reserve			67,231		(67,231)			-
Special capital reserve				90,571	(90,571)			-
Cash dividends for common stocks					(418,239)			(418,239)
Changes in other capital surplus								
Adjustments to share of changes in equities of associates		680						680
Cash dividends from capital surplus		(104,560)						(104,560)
Net income for the year ended December 31, 2019					630,681			630,681
Other comprehensive income (loss) for the year ended December 31, 2019					(59,881)	(64,876)		(124,757)
Total comprehensive income	-	-	-	-	570,800	(64,876)	-	505,924
Balance as of December 31, 2019	$ 2,091,197	$1,342,759	$ 882,821	$ 166,117	$ 2,994,142	$ (224,393)	$ (6,600)	$ 7,246,043
Balance as of January 1, 2020	$ 2,091,197	$1,342,759	$ 882,821	$ 166,117	$ 2,994,142	$ (224,393)	$ (6,600)	$ 7,246,043
Appropriation and distribution of 2019 earnings								
Legal capital reserve			57,079		(57,079)			-
Special capital reserve				64,876	(64,876)			-
Cash dividends for common stocks					(250,944)			(250,944)
Changes in other capital surplus								
Adjustments to share of changes in equities of associates		(4,852)						(4,852)
Cash dividends from capital surplus		(271,855)						(271,855)
Changes in other capital surplus		95						95
Net income for the year ended December 31, 2020					772,859			772,859
Other comprehensive income (loss) for the year ended December 31, 2020					(28,176)	(3,306)		(31,482)
Total comprehensive income	-	-	-	-	744,683	(3,306)	-	741,377
Balance as of December 31, 2020	$ 2,091,197	$1,066,147	$ 939,900	$ 230,993	$ 3,365,926	$ (227,699)	$ (6,600)	$ 7,459,864

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Income before income tax	$ 914,858	$ 782,724
Adjustments:		
Non-cash income and expense items:		
Depreciation	271,091	248,306
Amortization	16,643	15,738
Expected credit gains	(7,669)	(20,629)
Net loss (gain) on financial assets (liabilities) at fair value through profit or loss	15,997	(12,395)
Interest expense	15,318	17,114
Interest income	(5,168)	(20,774)
Share of profit or loss of subsidiaries and associates accounted for under the equity method	(42,685)	139,902
Gain on disposal of property, plant and equipment	(35)	(1,481)
Impairment loss for non-financial assets	24,000	-
Others	18,605	39,867
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets mandatorily at fair value through profit or loss	4,640	(8,614)
Decrease in notes receivable	1,362	1,886
(Increase) decrease in accounts receivable	(429,366)	631,689
(Increase) decrease in accounts receivable – related parties	(18,129)	280,237
(Increase) decrease in other receivables	(23,980)	23,059
(Increase) decrease in other receivables – related parties	(82,545)	188,011
(Increase) decrease in inventories	(272,732)	185,487
(Increase) decrease in prepayments	(8,976)	4,909
Decrease in other current assets	395	1,989
Increase in contract liabilities	492	-
Increase (decrease) in notes payable	12	(65,419)
Increase (decrease) in accounts payable	633,237	(773,762)
Increase (decrease) in accounts payable – related parties	7,999	(23,842)
Increase (decrease) in other payables	59,099	(81,036)
Decrease in other payables – related parties	(2,697)	(10,567)
Increase (decrease) in other current liabilities	1,140	(6,880)
Increase in net defined benefit liabilities	7,188	6,276
Cash generated from operations	1,098,094	1,541,795
Interest received	5,164	22,066
Interest paid	(11,197)	(12,298)
Income tax paid	(11,582)	(239,553)
Net cash generated by operating activities	1,080,479	1,312,010

(Continued)

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	$ (89,719)	$ (49,000)
Acquisition of financial assets at fair value through profit or loss	(1,322)	-
Disposal of financial assets at fair value through profit or loss	-	1,523
Acquisition of investments accounted for under the equity method	(188,549)	(418,189)
Acquisition of property, plant and equipment	(300,415)	(380,898)
Disposal of property, plant and equipment	35	17,713
Increase in refundable deposits	-	(1,102)
Decrease in refundable deposits	1,524	-
Decrease in other receivables – related parties	416,666	581,577
Acquisition of intangible assets	(14,161)	(25,686)
Increase in other current assets - other financial assets	(50)	-
Decrease in other non-current assets	-	2,666
Dividends received	142,771	1,444
Net cash used in investing activities	(33,220)	(269,952)
Cash flows from financing activities:		
Decrease in short-term loans	(520,000)	(495,000)
Increase in long-term loans	-	605,000
Repayment of long-term loans	(459,370)	-
Decrease in payables	95	-
Repayment of lease principal	(15,930)	(15,812)
Distribution of cash dividends	(522,799)	(522,799)
Net cash used in financing activities	(1,518,004)	(428,611)
Net (decrease) increase in cash and cash equivalents	(470,745)	613,447
Cash and cash equivalents at beginning of period	1,678,502	1,065,055
Cash and cash equivalents at end of period	$ 1,207,757	$ 1,678,502

(Concluded)

(The accompanying notes are an integral part of the parent company only financial statements.)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History and Organization

Taiflex Scientific Company Limited (the "Company") was incorporated in August, 1997. Its main operations consist of manufacturing, research and development, and selling of flexible copper-clad laminate and cover layer. On September 30, 2020, the Company spun off its advanced material operation to set up the wholly-owned subsidiary, Taichem Materials Co., Ltd. The shares of the Company commenced trading on Taipei Exchange on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company for the years ended December 31, 2020 and 2019 were approved and authorized for issue in the Board of Directors' meeting on February 24, 2021.

3. Newly Issued or Revised Standards and Interpretations

(1) Changes in accounting policies due to first-time adoption of International Financial Reporting Standards

The Company has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2020. Except for explanations on the nature and impact of the newly issued or revised standards and interpretations below, the first-time adoption of other standards and interpretations does not have any material impact on the Company.

The Company elects for early adoption of amendments to IFRS 16 "COVID-19-related Rent Concessions" endorsed by the FSC from annual periods beginning on January 1, 2020 and proceeds in accordance with the transitional provisions of the amended standard. For rent concessions as a direct consequence of COVID-19, the Company chooses not to assess whether they are lease modifications and accounts for them as changes in lease payments. Please refer to Note 6 for disclosures associated with lessees under the amendments.

(2) The Company has not adopted the following new, revised or amended standards and interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments address the effects of interest rate benchmark reform on financial reporting, including:

A. For changes in the basis for determining the contractual cash flows required by the reform, the carrying amount of financial instruments does not have to be derecognized or adjusted. Instead, the effective interest rate is updated to reflect changes to the alternative benchmark rate;

B. Where the hedge still meets the hedge accounting criteria, the hedge accounting will not be discontinued merely due to changes required by the reform; and

C. Information concerning new risks arising from the reform and how the transition to alternative benchmark rates is managed is required to be disclosed.

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

(3) As of the date of issuance of the financial statements, the Company has not adopted the following new, revised or amended standards and interpretations issued by IASB but not yet endorsed by FSC:

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 3, IAS 16 and IAS 37	Narrow-scope Amendments to IFRSs and Annual Improvements	January 1, 2022
IAS 1	Disclosure Initiative – Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023

Items with potential effects on the Company’s financial statements due to the adoption of above standards and interpretations, which are issued by IASB but not yet endorsed by FSC, for future periods are listed below:

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

The plan deals with the inconsistency between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” in relation to the loss of control over a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control over a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28. The gains or losses from the sale or contribution of assets defined as a business under IFRS 3 shall be recognized in full.

The amendments also change IFRS 10 so that gains or losses arising from the sale or contributions of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

B. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments aim at paragraphs 69 to 76 of IAS 1 "Presentation of Financial Statements" where liabilities are classified as current or non-current.

C. Narrow-scope Amendments to IFRSs, Including Amendments to IFRS 3, IAS 16 and IAS 37, and Annual Improvements

(a) Updating the reference to the conceptual framework (Amendments to IFRS 3)

The amendments replace the old reference to the conceptual framework of financial reporting and update IFRS 3 with the latest reference published in March 2018. In addition, an exception is added to the recognition principle to avoid the possible "day 2" gains or losses from liabilities and contingent liabilities. The amendments also clarify the existing guidance of contingent assets not affected by the replaced reference to the conceptual framework.

(b) Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16)

The amendments ban companies against deducting sales proceeds of items produced before assets are ready for their intended use from the cost of property, plant and equipment. Instead, the proceeds and relevant costs shall be recognized in profit or loss.

(c) Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)

The amendments clarify costs to be included when assessing whether a contract is onerous.

(d) Annual improvements to IFRSs 2018-2020 cycle

Amendments to IFRS 1

The amendments simplify the adoption of IFRS 1 concerning measurement of cumulative translation differences for a subsidiary that adopts IFRSs for the first time later than its parent company.

Amendments to IFRS 9 "Financial Instruments"

The amendments clarify fees included when companies assess whether new or amended contract clauses of financial liabilities are significantly different from the original financial liabilities.

Amendments to illustrative examples of IFRS 16 "Leases"

This is to amend lease incentives associated with leasehold improvement of lessees in illustrative example 13.

Amendments to IAS 41

The amendments remove the requirement to exclude cash flows from taxation when measuring fair value in order for the fair value measurement requirements in IAS 41 to be consistent with relevant requirements in other IFRSs.

D. Disclosure Initiative – Accounting Policies (Amendments to IAS 1)

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

E. Definition of Accounting Estimates (Amendments to IAS 8)

The amendments define accounting estimates and revise IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to help companies distinguish between a change in an accounting policy and a change in an accounting estimate.

For the aforementioned standards and interpretations issued by IASB but not yet endorsed by FSC, the effective dates are to be determined by FSC. The Company currently assesses the potential effects of the new, revised or amended standards and interpretations in the preceding paragraphs on the financial status and performance of the Company. The outcome will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2020 and 2019 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed by FSC.

(2) Basis of preparation

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

The Company accounts for subsidiaries by using the equity method in the preparation of the parent company only financial statements. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted through “investments accounted for under the equity method” and “share of profit or loss of subsidiaries and associates accounted for under the equity method” in the parent company only financial statements.

(3) Foreign currency transactions and translation of financial statements in foreign currencies

The Company’s parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

Transactions in foreign currencies are initially recognized by the Company at the rates of exchange prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policies for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of the net investment.

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

In the preparation of parent company only financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The partial disposal involving the loss of control of a subsidiary that includes a foreign operation, and the partial disposal of interests in an associate or a joint arrangement that includes a foreign operation while the retained interests are financial assets that include a foreign operation are accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation instead of being recognized in profit or loss. In partial disposal of an associate or a joint arrangement that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative exchange differences is reclassified to profit or loss.

Goodwill arising from the acquisition of a foreign operation and fair value adjustments on the carrying amounts of assets and liabilities of such an acquisition are deemed as assets and liabilities of the foreign operation and expressed in the functional currency of the foreign operation.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current when:

A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

B. the Company holds the asset primarily for the purpose of trading

C. the Company expects to realize the asset within twelve months after the reporting period

D. the asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. the Company expects to settle the liability in its normal operating cycle

B. the Company holds the liability primarily for the purpose of trading

C. the liability is due to be settled within twelve months after the reporting period

D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and 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 (including time deposits with terms equal to or less than three months).

(6) Financial instruments

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

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

A. Recognition and measurement of financial assets

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

The Company classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

(a) the business model for managing the financial assets, and

(b) the contractual cash flow characteristics of the financial assets

<u>Financial assets at amortized cost</u>

A financial asset satisfying both conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial assets at amortized cost or other receivables on the balance sheet:

(a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and

(b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Such financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost {the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance}. A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

(a) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

(b) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

<u>Financial assets at fair value through other comprehensive income</u>

A financial asset satisfying both conditions below is measured at fair value through other comprehensive income and presented as financial assets at fair value through other comprehensive income on the balance sheet:

(a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and

(b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gains or losses on such a financial asset is described below:

(a) Prior to its derecognition or reclassification, the gain or loss on a financial asset at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.

(b) Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

    i. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

ii. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Company makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset at fair value through other comprehensive income on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

Financial assets at fair value through profit or loss

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheet.

Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

B. Impairment of financial assets

The Company recognizes and measures the loss allowance for debt instrument investments at fair value through other comprehensive income and financial assets at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

The Company measures expected credit loss in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

(a) at an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.

(b) at an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.

(c) for accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(7) Derivative financial instrument

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

Derivative instruments are initially recognized at fair value on the dates on which derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of a net investment in a foreign operation, which is recognized in equity.

Where the host contracts are non-financial assets or non-financial liabilities, derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

(8) Inventories

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

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

Raw materials	- Actual purchase cost
Work in progress and finished goods	- Cost of direct materials, labor and manufacturing overheads allocated based on normal operating capacity. Borrowing costs are excluded.

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

(9) Investments accounted for under the equity method

The Company accounts for its investments in subsidiaries and associates using the equity method, except for ones classified as non-current assets held for sale.

A. Investment in subsidiaries

A subsidiary is an entity controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company recognizes its share of profit or loss and other comprehensive income of the subsidiary in profit or loss and other comprehensive income. Earning distributions received from the subsidiary reduce the carrying amount of the investment.

Unrealized gains or losses from downstream transactions between the Company and its subsidiaries are eliminated in the Company's parent company only financial statements. Profits and losses from upstream and lateral transactions are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Financial statements of subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring subsidiaries' accounting policies into line with those used by the Company.

When changes in a subsidiary's equity are not caused by profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes related changes in equity according to its ownership percentage. Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The difference between the carrying amount of the investment and the fair value of consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method when it loses control over the subsidiary. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former subsidiary and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in a subsidiary becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. The difference between the recoverable amount and the carrying value of the subsidiary is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

B. Investment in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Difference between the Company's investment cost and the share of fair value of associates' identifiable assets and liabilities is accounted for as follows:

(a) Any excess of the investment cost over the Company's share of fair value of associates' identifiable assets and liabilities as of the acquisition date is recognized as goodwill and included in the carrying amount of the investment. Goodwill cannot be amortized.

(b) Any excess of the Company's share of net fair value of associates' identifiable assets and liabilities over the investment cost is recognized as a gain in profit or loss on the investment date, after reassessing the fair value.

Under the equity method, an investment in an associate is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the associate. The Company recognizes its share of profit or loss and other comprehensive income of the associate in profit or loss and other comprehensive income. Earning distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Any unrealized gains or losses resulting from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Financial statements of associates are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring associates' accounting policies into line with those used by the Company.

If the Company subscribes more shares than its original ownership percentage when an associate issues new shares, while maintaining its significant influence over that associate, such an increase would be accounted for as an additional investment in the associate. If the Company's subscription results in a decrease in its ownership percentage while maintaining significant influence over that associate, a proportionate share of gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. When the Company subscripts or acquires shares of associates in a percentage differs from its existing shareholding percentage which in turn changes its net interest in the associate, the change is adjusted through capital surplus. Where the change in equity of an associate does not result from its profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes its proportionate share of all related changes in equity. Upon disposal of the associate, the Company reclassifies the aforementioned capital surplus to profit or loss on a pro rata basis.

The Company ceases to use the equity method when it loses significant influence over the associate. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former associate and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The difference between the recoverable amount and the carrying value of the associate is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

(10) Property, plant and equipment

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

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

Buildings	20 to 50 years
Machinery and equipment	10 years
Hydropower equipment	5 to 20 years
Testing equipment	10 years
Right-of-use assets/lease assets	2 to 50 years
Miscellaneous equipment	5 to 10 years

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

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(11) Borrowing costs

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

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

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

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

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

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

In-process intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

A. the technical feasibility of completing the intangible asset so that it will be available for use or sale

B. its intention to complete and its ability to use or sell the asset

C. how the asset will generate future economic benefits

D. the availability of resources to complete the asset

E. the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied, i.e., the asset is required to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

(13) Impairment of non-financial assets

The Company assesses whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired at the end of each reporting period. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or its CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(14) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, of which amount can be reliably estimated.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when it is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the liability due to the passage of time is recognized as a borrowing cost.

(15) Revenue recognition

The Company's revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

The Company manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e., the customers can direct the use of goods and obtain substantially all remaining benefits from the goods). The main products of the Company are flexible copper-clad laminate and cover layer. Revenues are recognized based on the prices stated on the contracts.

The credit terms of accounts receivable are set at 60 to 180 days. Accounts receivables are recognized when the control over goods is transferred and the Company has an unconditional right to collect the considerations. Those accounts receivables usually have a short collection period and do not have a significant financing component.

As for contracts where a part of the considerations is collected upon signing the contracts, the Company assumes the obligations to transfer the goods subsequently. Thus, they are recognized as contract liabilities. As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

(16) Leases

On the dates the contracts are established, the Company assesses whether the contracts are (or contain) leases. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as (or contains) a lease. To assess if a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the following two conditions are met during the period of use:

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

B. Having the right to direct the use of identified asset.

For contracts that are (or contain) leases, the Company accounts for each lease component as a lease and handles separately from the non-lease components within the contracts. For contracts that contain one lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contracts to the lease component on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined based on the prices that the lessor (or a similar supplier) would charge for those components (or similar components) separately. If an observable stand-alone price is not readily available, the Company would maximize the use of observable information to estimate the stand-alone price.

The Company being a lessee

Except for short-term leases or leases of low value assets, when the Company is a lessee to lease contracts, it recognizes right-of-use assets and lease liabilities for all leases.

On the commencement date, the Company measures lease liabilities by the present value of outstanding lease payments. If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the Company would use the incremental borrowing rate of lessee. On the commencement date, lease payments for lease liabilities include the following outstanding payments which are related to the right to use the underlying asset during the lease term:

A. Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

B. Variable lease payments that are determined by an index or a rate (adopting the initial measurement of the index or rate on the commencement date);

C. Amounts expected to be paid by the lessee under residual value guarantees;

D. The exercise price of a purchase option if the Company is reasonably certain to exercise the option; and

E. Penalties to be paid for terminating the lease, if the lease term reflects that the lessee will exercise the option to terminate the lease.

After the commencement date, the Company measures lease liabilities on amortized cost basis. It increases the carrying amount of lease liabilities via the effective interest method to reflect the interest of lease liabilities. The carrying amount of lease liabilities is reduced when lease payments are made.

The Company measures right-of-use assets at cost on the commencement date. The costs of right-of-use assets include:

A. The initial measurement amount of lease liabilities;

B. All lease payments made on or before the commencement date, less any lease incentives received;

C. Any initial direct costs incurred by the lessee; and

D. The estimated costs for the lessee to dismantle and remove the underlying asset and restore its original location or to restore the underlying asset to the conditions required by the lease terms and conditions.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, i.e., the cost model is adopted to measure the right-of-use assets.

If the underlying assets' ownership is transferred to the Company at the end of lease term, or the cost of right-of-use assets reflects the fact that the Company will exercise the purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of underlying assets' useful life. Otherwise, the Company depreciates the right-of-use assets from the commencement date to the end of underlying assets' useful life or the end of lease term, whichever is earlier.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use assets are impaired and account for any impairment loss identified.

Except for short-term leases or leases of low value assets, the Company recognizes right-of-use assets and lease liabilities on the balance sheets and lease-related depreciation and interest expenses on the statements of comprehensive income.

For short-term leases or leases of low value assets, the Company elects to adopt the straight-line basis or another systematic basis to recognize the lease payments associated with the leases as expenses during the lease terms.

For rent concessions as a direct consequence of COVID-19, the Company elects not to assess whether they are lease modifications and accounts for them as changes in lease payments instead. In addition, such practical expedient is applied to all rent concessions that meet certain criteria.

<u>The Company being a lessor</u>

On the date the contract is established, the Company classifies each lease as an operating or finance lease. If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership, it is classified as a finance lease; otherwise, it is classified as an operating lease. On the commencement date, the Company recognizes its assets under finance leases at net investment amounts on the balance sheet as finance lease receivable.

For contracts that contain lease and non-lease components, the Company adopts IFRS 15 to allocate the considerations of contracts.

The Company adopts the straight-line basis or another systematic basis to recognize lease payments from operating leases as rental income. Variable lease payments under operating leases that are not determined by an index or a rate are recognized as rental income as incurred.

(17) Post-employment benefit plans

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the parent company only financial statements.

For the defined contribution plan, the Company would make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) include return on plan assets and any changes in the effect of the asset ceiling, and exclude amounts included in the net interest on the net defined benefit liability (asset) and actuarial gains and losses.

The remeasurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

A. when a plan amendment or curtailment occurs; and

B. when the Company recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both net defined benefit liability (asset) and discount rate are determined at the beginning of annual reporting period. Changes in net defined benefit liability (asset) due to actual contributions and benefits paid during the period shall be taken into consideration.

(18) Income tax

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

Current income tax

Current income tax liabilities (assets) for the current and prior periods are measured based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity respectively, instead of in profit or loss.

The additional income tax for undistributed earnings is recognized as income tax expense on the date when the distribution proposal is approved in the shareholders' meeting.

Deferred income tax

Deferred income tax is the temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

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

A. Where the taxable temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

B. Where the taxable temporary differences are associated with investments in subsidiaries and associates and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

A. Where the deferred income tax asset is related to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

B. Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss cannot be recognized as profit or loss. Instead, it is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

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

5. Significant Accounting Judgments and Major Sources of Estimation Uncertainty

The preparation of the Company's parent company only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may result in significant risks for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Fair value of financial instruments

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

(2) Receivables – impairment loss estimate

The Company estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of the difference between contractual cash flows that are due to the Company under contracts (carrying amount) and cash flows the Company expects to receive (assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(18) for details.

(3) Inventories

The estimates of net realizable value for inventory take into account inventory spoilage, total or partial obsolescence or selling price declines. They are based on the most reliable evidence available when those estimates are made. Please refer to Note 6(6) for details.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(4) Post-employment benefit plans

The cost of pension plan and the present value of defined benefit obligation within the post-employment benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rates and expected future salary changes. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6(15).

(5) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made or future changes to such assumptions could necessitate future adjustments to tax benefit and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets which have not been recognized by the Company as of December 31, 2020 are disclosed in Note 6(22).

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 333	$ 333
Bank deposits	1,207,424	1,678,169
Total	$ 1,207,757	$ 1,678,502

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

	December 31, 2020	December 31, 2019
Mandatorily at fair value through profit or loss:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	$ 423	$ 3,150
Stocks	29,409	34,981
Total	$ 29,832	$ 38,131

The Company's financial assets at fair value through profit or loss were not pledged.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(3) Financial assets at amortized cost – current

	December 31, 2020	December 31, 2019
Time deposits – current	$ 79,000	$ 49,000
Bank deposits – restricted	59,719	—
Total	$ 138,719	$ 49,000

Some financial assets were classified as financial assets at amortized cost by the Company and they were not pledged. Please refer to Note 12 for information concerning credit risk.

The Company has been approved by the National Taxation Bureau under Ministry of Finance pursuant to the "Regulations on Industries Investment from Repatriated Offshore Funds" with investment plans approved by the Ministry of Economic Affairs. In accordance with the Regulations, the money cannot be used for purposes other than the ones approved by the competent authorities.

(4) Notes receivable, net

	December 31, 2020	December 31, 2019
Notes receivable, net	$ 1,578	$ 2,940

The Company's notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6(18) for details on loss allowance and Note 12 for credit risk.

(5) Accounts receivable, net

	December 31, 2020	December 31, 2019
Accounts receivable	$ 1,875,424	$ 1,446,058
Less: loss allowance	(12,173)	(19,842)
Subtotal	1,863,251	1,426,216
Accounts receivable – related parties	1,086,180	1,068,051
Total	$ 2,949,431	$ 2,494,267

A. The Company's accounts receivables were not pledged.

B. The credit terms of accounts receivables are generally set at 60 to 180 days from the end of month. The gross carrying amounts were NT$2,961,604 thousand and NT$2,514,109 thousand as of December 31, 2020 and 2019, respectively. Please refer to Note 6(18) for loss allowance for the years ended December 31, 2020 and 2019 and Note 12 for credit risk.

C. The Company entered into factoring agreements without recourse with banks for accounts receivable selected. The Company had no factoring agreements as of December 31, 2019 and details as of December 31, 2020 were as follows:

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

December 31, 2020				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US$ 623 thousand	US$ 623 thousand	Without recourse	-
Taishin International Bank	US$6,758 thousand	US$6,758 thousand	Without recourse	-
Taipei Fubon Bank	US$1,222 thousand	US$1,222 thousand	Without recourse	-

(6) Inventories, net

	December 31, 2020	December 31, 2019
Raw materials	$ 511,022	$ 250,236
Inventories in transit	8,057	708
Supplies	8,951	5,171
Work in progress	-	65,814
Finished goods	346,069	300,694
Merchandise	7,033	4,147
Total	$ 881,132	$ 626,770

The Company recognized NT$5,703,657 thousand and NT$5,195,358 thousand of operating costs associated with inventories for the years ended December 31, 2020 and 2019, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT$10,300 thousand for the year ended December 31, 2020, which was recognized as an addition to operating costs. For the year ended December 31, 2019, gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT$30,311 thousand.

The aforementioned inventories were not pledged.

(7) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2020	December 31, 2019
Equity instrument investments at fair value through other comprehensive income – non-current:		
Non-publicly traded stocks	$ —	$ —

The said financial assets at fair value through other comprehensive income were not pledged. As of December 31, 2020, the unrealized valuation loss on financial assets at fair value through other comprehensive income was fully recognized upon evaluation under valuation adjustment of equity instrument investments at fair value through other comprehensive income. Please refer to Table 3 for details.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(8) Investments accounted for under the equity method

	December 31, 2020		December 31, 2019	
Investees	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
Taistar Co., Ltd.	$ 776,829	100.00%	$ 944,245	100.00%
Leadmax Limited	594	100.00%	8,345	100.00%
Koatech Technology Corp.	222,049	53.86%	212,985	53.86%
Taichem Materials Co., Ltd. (Note)	61,416	100.00%	-	-
TFS Co., Ltd.	495,136	100.00%	470,934	100.00%
Taiflex Scientific Japan Co., Ltd.	17,587	100.00%	17,740	100.00%
Richstar Co., Ltd.	1,170,832	69.29%	977,510	66.29%
Taiflex USA Corporation	8,708	100.00%	9,513	100.00%
Subtotal	2,753,151		2,641,272	
Investments in associates:				
Innovision FlexTech Corp.	28,835	15.07%	36,218	15.07%
Geckos Technology Corp.	12,149	42.08%	13,252	31.24%
Subtotal	40,984		49,470	
Total	$ 2,794,135		$ 2,690,742	

The aforementioned investments accounted for under the equity method were not pledged.

Note: The Company spun off its operation in the manufacturing and selling of semiconductor materials to Taichem Materials and acquired 100% of the company on September 30, 2020.

A. The shares of profit or loss of subsidiaries and associates accounted for under the equity method for the years ended December 31, 2020 and 2019 were as follows:

	Years Ended December 31	
Investee	2020	2019
Taistar Co., Ltd.	$ (25,521)	$ (156,465)
Leadmax Limited	(194)	(2,474)
Innovision FlexTech Corp.	(7,396)	(13,848)
Koatech Technology Corp.	9,051	(20,169)
Taichem Materials Co., Ltd.	(4,584)	(Note)
TFS Co., Ltd.	24,594	24,710
Taiflex Scientific Japan Co., Ltd.	178	156
Richstar Co., Ltd.	55,519	31,057
Taiflex USA Corporation	(207)	871
Geckos Technology Corp.	(8,755)	(3,740)
Total	$ 42,685	$ (139,902)

B. The Company accounted for Innovision FlexTech Corp. (Innovision) using the equity method as it had significant influence over the investee through ownership and representation on Innovision's board of directors.

C. Determinant on having only significant influence: Although the Company owns 42.08% of the voting power of Geckos Technology Corp., the other shareholders enjoy the advantage of relative majority in directing activities of the investee. Therefore, instead of control, the Company has only significant influence over Geckos Technology Corp.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

D. The summarized financial information of the Company's investments in associates was as follows:

	December 31, 2020	December 31, 2019
Total assets	$ 440,882	$ 538,417
Total liabilities	$ 233,976	$ 274,106

	Years Ended December 31	
	2020	2019
Revenue	$ 179,658	$ 151,006
Net (loss)	$ (72,213)	$ (108,775)

E. The aforementioned recoverable amount was measured at fair value less costs of disposal and the fair value was determined using the market approach, which took into account the recent financing activities of the investees, the technology development status, companies with similar attributes, market conditions and other economic indicators. This was a level 3 fair value measurement.

(9) Property, plant and equipment

	December 31, 2020	December 31, 2019
Owner-occupied property, plant and equipment	$ 2,193,741	$ 2,212,219

A. Owner-occupied property, plant and equipment

	As of January 1, 2020	Additions	Disposals	Spin-off	Reclassification	Impairment Loss	As of December 31, 2020
Cost							
Buildings	$ 1,032,847	$ 19,568	$ –	$ –	$ 9,506	$ –	$ 1,061,921
Machinery and equipment	2,307,636	21,928	(9,497)	(2,740)	100,972	–	2,418,299
Hydropower equipment	374,505	4,569	(230)	–	2,909	–	381,753
Testing equipment	331,916	16,111	(4,549)	(45,012)	3,761	–	302,227
Miscellaneous equipment	195,630	8,801	(3,985)	–	8,472	–	208,918
Total	$ 4,242,534	$ 70,977	$ (18,261)	$ (47,752)	$ 125,620	$ –	$ 4,373,118
Accumulated depreciation and impairment							
Buildings	$ 252,441	$ 44,368	$ –	$ –	$ –	$ –	$ 296,809
Machinery and equipment	1,548,162	154,393	(9,497)	(1,370)	–	24,000	1,715,688
Hydropower equipment	222,021	14,297	(230)	–	–	–	236,088
Testing equipment	153,203	28,888	(4,549)	(21,346)	–	–	156,193
Miscellaneous equipment	114,311	15,943	(3,985)	–	–	–	126,269
Total	$ 2,290,138	$ 257,889	$ (18,261)	$ (22,716)	$ –	$ 24,000	$ 2,531,047
Construction in progress and equipment awaiting inspection	259,823	218,151	–	–	(126,304)	–	351,670
Net	$ 2,212,219						$ 2,193,741

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	As of January 1, 2019	Additions	Disposals	Spin-off	Reclassification	Impairment Loss	As of December 31, 2019
Cost							
Buildings	$ 987,889	$ 6,164	$ －	$ －	$ 38,794	$ －	$ 1,032,847
Machinery and equipment	2,201,790	29,408	(44,817)	－	121,255	－	2,307,636
Hydropower equipment	345,741	3,771	－	－	24,993	－	374,505
Testing equipment	271,519	15,153	(3,369)	－	48,613	－	331,916
Miscellaneous equipment	175,829	5,043	(744)	－	15,502	－	195,630
Total	$ 3,982,768	$ 59,539	$ (48,930)	$ －	$ 249,157	$ －	$ 4,242,534
Accumulated depreciation and impairment							
Buildings	$ 212,206	$ 40,235	$ －	$ －	$ －	$ －	$ 252,441
Machinery and equipment	1,437,528	139,629	(28,995)	－	－	－	1,548,162
Hydropower equipment	209,057	12,964	－	－	－	－	222,021
Testing equipment	128,354	27,808	(2,959)	－	－	－	153,203
Miscellaneous equipment	100,525	14,530	(744)	－	－	－	114,311
Total	$ 2,087,670	$ 235,166	$ (32,698)	$ －	$ －	$ －	$ 2,290,138
Construction in progress and equipment awaiting inspection	227,187	285,608	－	－	(252,972)	－	259,823
Net	$ 2,122,285						$ 2,212,219

B. Upon assessment, the Company determined that a part of machinery and equipment was impaired and recognized impairment loss of NT$24,000 thousand and NT$0 thousand for the years ended December 31, 2020 and 2019, respectively. The recoverable amount was measured at fair value less costs of disposal, and the fair value was classified as level 3.

C. Please refer to Note 8 for property, plant and equipment pledged.

(10) Intangible assets

	December 31, 2020	December 31, 2019
Trademarks	$ 255	$ 312
Patents	7,797	8,283
Software cost	42,415	43,936
Total	$ 50,467	$ 52,531

	As of January 1, 2020	Additions	Reclassification	As of December 31, 2020
Cost				
Trademarks	$ 691	$ －	$ －	$ 691
Patents	17,970	342	－	18,312
Software cost	143,710	13,819	418	157,947
Total	$ 162,371	$ 14,161	$ 418	$ 176,950
Amortization and impairment				
Trademarks	$ 379	$ 57	$ －	$ 436
Patents	9,687	828	－	10,515
Software cost	99,774	15,758	－	115,532
Total	109,840	$ 16,643	$ －	126,483
Net	$ 52,531			$ 50,467

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	As of January 1, 2019	Additions	Reclassification	As of December 31, 2019
Cost				
Trademarks	$ 672	$ 19	$ –	$ 691
Patents	15,656	2,314	–	17,970
Software cost	116,916	23,353	3,441	143,710
Total	$ 133,244	$ 25,686	$ 3,441	$ 162,371
Amortization and impairment				
Trademarks	$ 318	$ 61	$ –	$ 379
Patents	8,808	879	–	9,687
Software cost	84,976	14,798	–	99,774
Total	94,102	$ 15,738	$ –	109,840
Net	$ 39,142			$ 52,531

(11) Other non-current assets

	December 31, 2020	December 31, 2019
Refundable deposits	$ 6,384	$ 7,908

(12) Short-term loans

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ 150,000	$ 670,000

The interest rate ranges of loans were 0.73% and 0.76% to 0.85% and the unused short-term credit facilities amounted to NT$2,480,000 thousand and NT$1,810,000 thousand as of December 31, 2020 and 2019, respectively.

(13) Financial liabilities at fair value through profit or loss - current

	December 31, 2020	December 31, 2019
Held for trading:		
Derivative financial instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	$ 11,294	$ 278

(14) Long-term loans

Details of long-term loans as of December 31, 2020 and 2019 were as follows:

Creditor	2020.12.31	Contract Term and Repayment
Bank of Taiwan – syndicated loan	$ 140,630	2020.10.29 – 2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China – credit loan	150,000	2019.6.28 – 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment

(Continued)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Creditor	2020.12.31	Contract Term and Repayment
Mizuho Bank – credit loan	90,000	2020.10.5 – 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	60,000	2020.10.5 – 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Subtotal	440,630	
Less: current portion	(25,000)	
Total	$ 415,630	

(Concluded)

Creditor	2019.12.31	Contract Term and Repayment
Export-Import Bank of the Republic of China – credit loan	$ 150,000	2019.6.28 – 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Export-Import Bank of the Republic of China – credit loan	300,000	2019.6.28 – 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank – credit loan	60,000	2019.10.5 – 2021.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	150,000	2019.10.5 – 2021.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	90,000	2019.10.5 – 2021.10.5, revolving for 2 years after the commencement date with monthly interest payment
KGI Bank – credit loan	150,000	2019.7.18 – 2021.7.18, revolving for 2 years after the commencement date with monthly interest payment
Subtotal	900,000	
Less: current portion	-	
Total	$ 900,000	

A. The interest rate ranges of loans were 0.8% to 1.2645% and 0.83% to 1.0511% as of December 31, 2020 and 2019, respectively.

B. In January 2016, the Company entered into a syndicated loan agreement with ten financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT$2.5 billion or the equivalent in U.S. dollars. (The Company applied to lower the loan to NT$1.5 billion or the equivalent in U.S. dollars in July 2017.) The contract term was five years from the initial drawdown date, i.e., June 2016 to June 2021 and the credit term of the agreement was mid-term loans - current. During the loan term, the Company was required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Company has abided by those terms. The aforementioned syndicated loan was terminated in January 2020.

C. In July 2020, the Company entered into a syndicated loan agreement with eight financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT$2.5 billion or the equivalent in U.S. dollars. The contract term was five years from the initial drawdown date, i.e., October 2020 to October 2025 and the credit term of the agreement was mid-term loans - current. During the loan term, the Company was required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Company has abided by those terms.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(15) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$23,297 thousand and NT$22,876 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

	Years Ended December 31	
Financial Statement Account	2020	2019
Operating costs	$ 4,106	$ 3,840
Sales and marketing expenses	615	420
General and administrative expenses	2,502	2,163
Research and development expenses	2,638	2,539
Total	$ 9,861	$ 8,962

C. Accumulated amounts of actuarial gain or loss recognized under other comprehensive income were as follows:

	Years Ended December 31	
	2020	2019
Beginning balance	$ 120,372	$ 45,521
Actuarial gain or loss	35,220	74,851
Ending balance	$ 155,592	$ 120,372

D. Reconciliation of defined benefit obligation at present value and plan assets at fair value was as follows:

	Years Ended December 31	
	2020	2019
Present value of defined benefit obligation	$ 290,184	$ 243,665
Fair value of plan assets	(28,226)	(24,115)
Funded status	261,958	219,550
Net defined benefit liabilities	$ 261,958	$ 219,550

E. Changes in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2020	2019
Balance, beginning of year	$ 243,665	$ 172,041
Current service cost	7,995	7,148
Interest cost	2,071	2,254
Actuarial gain or loss	36,453	75,872
Benefits paid	-	(13,650)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Years Ended December 31	
	2020	2019
Balance, end of year	$ 290,184	$ 243,665

F. Changes in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2020	2019
Balance, beginning of year	$ 24,115	$ 33,618
Return on plan assets	205	440
Contributions from employer	2,673	2,686
Actuarial gain or loss	1,233	1,021
Benefits paid	-	(13,650)
Balance, end of year	$ 28,226	$ 24,115

G. As of December 31, 2020, the Company expects to make contributions of NT$8,786 thousand to the defined benefit plan in the following 12 months.

H. The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	Pension Plan (%)	
	December 31, 2020	December 31, 2019
Cash	100%	100%

The Company's actual returns on plan assets were NT$1,438 thousand and NT$1,462 thousand for the years ended December 31, 2020 and 2019, respectively.

The expected rate of return on plan assets is determined based on historical trend and analysts' expectations on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from local banks' two-year time deposits are also taken into consideration in determining the expected rate of return on plan assets.

I. The principal assumptions used in determining the Company's defined benefit plan were shown below:

	December 31, 2020	December 31, 2019
Discount rate	0.40%	0.85%
Expected rate of return on plan assets	0.40%	0.85%
Expected rate of salary increases	5.00%	5.00%

J. A 0.5% change in the discount rate would result in the following:

	Years Ended December 31			
	2020		2019	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on aggregate of current service cost and interest cost	$ 268	$ (401)	$ –	$ (70)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Effect on present value of defined benefit obligation	(23,889)	26,386	(21,049)	23,343

K. Other information on the defined benefit plan was as follows:

	Years Ended December 31	
	2020	2019
Present value of defined benefit obligation, ending balance	$ 290,184	$ 243,655
Fair value of plan assets, ending balance	(28,226)	(24,115)
Surplus/deficit of plan, ending balance	$ 261,958	$ 219,550
Experience adjustments on plan liabilities	$ 10,180	$ (11,066)
Experience adjustments on plan assets	$ (1,233)	$ (1,021)

(16) Equity

A. Capital

(a) The Company's authorized capital was NT$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants) each at a par value of NT$10 as of December 31, 2020 and 2019.

(b) The Company's issued capital was NT$2,091,197 thousand, divided into 209,120 thousand shares each at a par value of NT$10 as of December 31, 2020 and 2019.

B. Capital surplus

	December 31, 2020	December 31, 2019
Additional paid-in capital	$ 666,479	$ 938,334
Premium from merger	262,500	262,500
Donated assets	1,970	1,970
Treasury stock transactions	27,280	27,280
Others	107,918	112,675
Total	$ 1,066,147	$ 1,342,759

According to laws and regulations, capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute capital surplus related to income derived from issuance of new shares at a premium or income from endowments received by the company as stock dividends up to a certain percentage of paid-in capital. The said capital surplus could also be distributed in the form of cash dividends to shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of profits and dividend policies

The Articles of Incorporation state that current year's earnings, if any, shall be distributed in the following order:

(a) Taxes and dues.

(b) Deficit compensation.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(c) 10% of net profit as legal capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled total capital.

(d) Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.

(e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

After taking into account the environment and development stage of the Company, the needs of capital in the future, long-term financial planning and shareholders' demand for cash, the Board of Directors shall draw up an earnings distribution proposal based on the distributable earnings and submit it to the shareholders' meeting for approval. At least forty percent of the distributable earnings shall be appropriated as shareholders' dividends. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100 percent.

Following the adoption of IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa-1010012865 issued by the FSC on April 6, 2012, which sets out the following provisions: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special capital reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the company has already set aside special capital reserve according to the requirements in the preceding point, it shall set aside supplemental special capital reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2020 and 2019, special capital reserve for the first-time adoption of IFRS amounted to NT$75,546 thousand.

Information about the appropriation of 2019 and 2018 earnings approved in the shareholders' meetings on May 28, 2020 and May 29, 2019, respectively, was as follows:

	Appropriation of Earnings		Dividend per Share (NT$)	
	2019	2018	2019	2018
Legal capital reserve	$ 57,079	$ 67,231	–	–
Special capital reserve	64,876	90,571	–	–
Cash dividends - common stocks	250,944	418,239	$ 1.20	$ 2.00

The shareholders' meeting on May 28, 2020 resolved to distribute NT$271,855 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT$1.3 per share.

The shareholders' meeting on May 29, 2019 resolved to distribute NT$104,560 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT$0.5 per share.

Please refer to Note 6(20) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(17) Revenue

	Years Ended December 31	
	2020	2019
Sale of goods	$ 7,491,041	$ 6,919,495

Contract balances:

Contract liabilities - current	December 31, 2020	December 31, 2019
Sale of goods	$ 492	$ –

Beginning balance of contract liabilities reclassified to revenue amounted to NT$0 thousand for the years ended December 31, 2020 and 2019.

(18) Expected credit (loss) gain

	Years Ended December 31	
	2020	2019
Operating expenses - expected credit (loss) gain		
Accounts receivable	$ 7,669	$ 17,963
Other non-current assets	–	2,666
Total	$ 7,669	$ 20,629

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables (related parties), the Company measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of December 31, 2020 and 2019 was as follows:

Expected credit loss of receivables:

December 31, 2020

		Past Due			
	Not Past Due (Note)	Within 90 Days	91-180 Days	Over 181 Days	Total
Gross carrying amount	$ 2,954,450	$ 7,586	$ –	$ 1,146	$ 2,963,182
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	10,790	237	–	1,146	12,173
Subtotal	$ 2,943,660	$ 7,349	$ –	$ –	$ 2,951,009

December 31, 2019

		Past Due			
	Not Past Due (Note)	Within 90 Days	91-180 Days	Over 181 Days	Total
Gross carrying amount	$ 2,515,131	$ 1,154	$ –	$ 764	$ 2,517,049
Loss ratio	0%~1%	0%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	19,006	72	–	764	19,842
Subtotal	$ 2,496,125	$ 1,082	$ –	$ –	$ 2,497,207

Note: None of the Company's notes receivables was overdue.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The movements in the loss allowance for receivables in the years ended December 31, 2020 and 2019 were as follows:

	Receivables	Other Non-current Assets	Total
Balance as of January 1, 2020	$ 19,842	$ 4,101	$ 23,943
Reversal in the current period	(7,669)	－	(7,669)
Write off	－	(4,101)	(4,101)
Balance as of December 31, 2020	$ 12,173	$ －	$ 12,173

	Receivables	Other Non-current Assets	Total
Balance as of January 1, 2019	$ 37,805	$ 8,291	$ 46,096
Reversal in the current period	(17,963)	(2,666)	(20,629)
Write off	－	(1,524)	(1,524)
Balance as of December 31, 2019	$ 19,842	$ 4,101	$ 23,943

(19) Leases

A. The Company being a lessee

The Company leased various assets, including property (land and buildings) and transportation equipment. The lease terms of these contracts ranged between 2 to 50 years.

The effects of leases on financial status, financial performance and cash flows of the Company were as follows:

(a) Amounts recognized in the balance sheets

(i) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2020	December 31, 2019
Land	$ 239,167	$ 241,933
Buildings	703	1,756
Transportation equipment	11,288	15,476
Total	$ 251,158	$ 259,165

The Company's right-of-use assets increased by NT$3,387 thousand and NT$10,908 thousand for the years ended December 31, 2020 and 2019, respectively.

(ii) Lease liabilities

	December 31, 2020	December 31, 2019
Current	$ 10,554	$ 11,058
Non-current	244,484	250,124
Lease liabilities	$ 255,038	$ 261,182

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Please refer to Note 6(21)D Finance costs for details on interest expenses of lease liabilities for the years ended December 31, 2020 and 2019 and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of December 31, 2020 and 2019.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Years Ended December 31	
	2020	2019
Land	$ 6,116	$ 6,066
Buildings	1,053	1,054
Transportation equipment	6,036	6,020
Total	$ 13,205	$ 13,140

(c) Lessee's income and expenses associated with leasing activities

	Years Ended December 31	
	2020	2019
Expense of short-term leases	$ 9,299	$ 12,279
Expense of leases of low value assets (excluding short-term leases of low value assets)	1,806	1,718

(d) Lessee's cash outflows associated with leasing activities

The Company's cash outflows from leases amounted to NT$27,035 thousand and NT$29,809 thousand for the years ended December 31, 2020 and 2019, respectively.

(e) Other information associated with leasing activities

Options to extend or terminate the lease

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

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

Function / Nature	Years Ended December 31					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	363,566	273,351	636,917	330,736	249,946	580,682
Labor and health insurance	33,279	18,795	52,074	33,605	18,557	52,162
Pension	18,990	14,168	33,158	18,607	13,231	31,838
Remuneration to directors	－	21,051	21,051	－	17,978	17,978
Other employee benefits expense	37,716	18,667	56,383	37,426	17,593	55,019
Depreciation	224,719	46,372	271,091	204,530	43,776	248,306
Amortization	4,371	12,272	16,643	4,224	11,514	15,738

As of December 31, 2020 and 2019, the Company had 739 and 754 employees, respectively. There were 6 Directors who were not employees for both years.

The following information shall be disclosed for entities with stocks traded on the Taiwan Stock Exchange or the Taipei Exchange:

A. The average employee benefits expense in 2020 equaled NT$1,062 thousand, which was calculated as follows: (Sum of employee benefits expense – Sum of remuneration to directors in 2020)/(Number of employees – Number of directors who are not employees in 2020). The average employee benefits expense in 2019 equaled NT$962 thousand, which was calculated as follows: (Sum of employee benefits expense – Sum of remuneration to directors in 2019)/(Number of employees – Number of directors who are not employees in 2019).

B. The average employee salaries in 2020 equaled NT$869 thousand, which was calculated as follows: Sum of employee salaries in 2020/(Number of employees – Number of directors who are not employees in 2020). The average employee salaries in 2019 equaled NT$776 thousand, which was calculated as follows: Sum of employee salaries in 2019/(Number of employees – Number of directors who are not employees in 2019).

C. The change in average employee salaries equaled 11.96% in 2020, which was calculated as follows: (Average employee salaries in 2020 – average employee salaries in 2019)/Average employee salaries in 2019.

D. The Company has established the Audit Committee to replace supervisors. Thus, remuneration to supervisors was not recognized.

E. Remuneration policy

(a) Remuneration to directors is determined based on the Articles of Incorporation. The Compensation Committee would evaluate the involvement of directors in the business operation of the Company and their contributions to the Company with reference to the remuneration standard of the industry. The Board of Directors would present the distribution proposal at the shareholders' meeting for shareholders to approve and finalize the amount.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) Compensation to management and employees is determined based on the salary levels among peers, job scopes and degree of contributions by individuals to the Company's operation target. It also takes into account the Company's overall performance and individual's performance and contribution.

According to the Company's Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to directors shall not be higher than four percent of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors. The above-mentioned compensation to employees can be made in the form of stock or cash by a resolution adopted by a majority vote at a Board of Directors' meeting attended by at least two-thirds of the total number of directors. A report of such distribution shall be submitted to the shareholders' meeting. Information on the compensation to employees and remuneration to directors resolved or reported at the meetings of Board of Directors and shareholders is available at the Market Observation Post System website.

If the Board of Directors resolved to distribute compensation to employees in the form of stock, the closing price of stocks on the date preceding the resolution shall be the basis in calculating the number of stocks to be distributed. If the amount accrued differed from the amount resolved in the Board of Directors' meeting, the difference would be recognized in the profit or loss of the following year.

Information on 2020 compensation to employees and remuneration to directors resolved in the Board of Directors' meetings on January 22, 2021 and 2019 compensation to employees and remuneration to directors in the form of cash reported in the shareholders' meeting on May 28, 2020 was as follows:

	Years Ended December 31	
	2020	2019
Compensation to employees	$ 75,524	$ 64,632
Remuneration to directors	20,651	17,673

The above-mentioned 2019 compensation to employees and remuneration to directors reported in the shareholders' meeting were not significantly different from the amounts resolved in the Board of Directors' meeting on January 10, 2020 and the amounts recognized as expenses in the financial statements.

(21) Non-operating income and expenses

A. Interest income

	Years Ended December 31	
	2020	2019
Interest income	$ 5,168	$ 20,774

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

B. Other income

	Years Ended December 31	
	2020	2019
Other income	$ 24,984	$ 15,921

C. Other gains and losses

	Years Ended December 31	
	2020	2019
Gain on disposal of property, plant and equipment	$ 35	$ 1,481
Foreign exchange (loss) gain, net	(76,019)	(103,220)
(Loss) gain on financial assets (liabilities) at fair value through profit or loss, net	(15,997)	12,395
Impairment loss for non-financial assets	(24,000)	–
Other losses	(394)	(1,200)
Total	$ (116,375)	$ (90,544)

D. Finance costs

	Years Ended December 31	
	2020	2019
Interest on bank borrowings	$ (10,698)	$ (12,425)
Interest on lease liabilities	(4,620)	(4,689)
Total	$ (15,318)	$ (17,114)

E. Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	$ (35,220)	$ –	$ (35,220)	$ 7,044	$ (28,176)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(4,132)	–	(4,132)	826	(3,306)
Total	$ (39,352)	$ –	$ (39,352)	$ 7,870	$ (31,482)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	$ (74,851)	$ —	$ (74,851)	$ 14,970	$ (59,881)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(81,094)	—	(81,094)	16,218	(64,876)
Total	$ (155,945)	$ —	$ (155,945)	$ 31,188	$ (124,757)

(22) Income tax

A. The major components of income tax expense (benefit) were as follows:

Income tax recognized in profit or loss

	Years Ended December 31	
	2020	2019
Current income tax expense (benefit):		
Current income tax expense	$ 185,446	$ 185,669
Income tax adjustments on prior years	(46,694)	(11,385)
Separate taxation for repatriated offshore funds	11,411	—
Deferred income tax expense:		
Deferred income tax expense relating to origination and reversal of temporary differences	(8,164)	(22,241)
Income tax expense	$ 141,999	$ 152,043

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2020	2019
Deferred income tax benefit:		
Remeasurement of defined benefit plan	$ (7,044)	$ (14,970)
Exchange differences arising on translation of foreign operations	(826)	(16,218)
Income tax relating to components of other comprehensive income	$ (7,870)	$ (31,188)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

B. The reconciliation of income tax expense and income tax based on pre-tax net income at the statutory tax rate was as follows:

	Years Ended December 31	
	2020	2019
Income before tax of continuing operations	$ 914,858	$ 782,724
Income tax expense at the statutory rate of the Company	$ 182,972	$ 156,545
Additional profit-seeking enterprise income tax on unappropriated earnings	—	7,363
Income tax adjustments on prior years	(46,694)	(11,385)
Separate taxation for repatriated offshore funds	11,411	—
Tax effects of other tax adjustments	(5,690)	(480)
Income tax expense recognized in profit or loss	$ 141,999	$ 152,043

C. Balance of deferred income tax assets (liabilities):

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain and loss	$ 19,119	$ (2,228)	$ —	$ —	$ 16,891
Allowance for inventory valuation and obsolescence loss	11,230	2,060	—	—	13,290
Gain (loss) on investments accounted for under the equity method	(51,161)	(2,573)	826	—	(52,908)
Unrealized intra-Company profits and losses	6,572	280	—	—	6,852
Impairment of assets	1,320	4,800	—	—	6,120
Allowance for doubtful accounts	(260)	260	—	—	—
Net defined benefit liabilities	43,910	1,437	7,044	—	52,391
Others	(5,220)	4,128	—	—	(1,092)
Deferred income tax benefits (expense)		$ 8,164	$ 7,870	$ —	
Net deferred income tax assets (liabilities)	$ 25,510				$ 41,544
Reflected in balance sheets as follows:					
Deferred income tax assets	$ 136,925				$ 131,151
Deferred income tax liabilities	$ (111,415)				$ (89,607)

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain and loss	$ 12,816	$ 6,303	$ –	$ –	$ 19,119
Allowance for inventory valuation and obsolescence loss	17,292	(6,062)	–	–	11,230
Gain (loss) on investments accounted for under the equity method	(95,479)	28,269	16,218	(169)	(51,161)
Unrealized intra-Company profits and losses	7,507	(935)	–	–	6,572
Impairment of assets	1,320	–	–	–	1,320
Allowance for doubtful accounts	2,335	(2,595)	–	–	(260)
Net defined benefit liabilities	27,684	1,256	14,970	–	43,910
Others	(1,225)	(3,995)	–	–	(5,220)
Deferred income tax benefit (expense)		$ 22,241	$ 31,188	$ (169)	
Net deferred income tax assets (liabilities)	$ (27,750)				$ 25,510
Reflected in balance sheets as follows:					
Deferred income tax assets	$ 100,000				$ 136,925
Deferred income tax liabilities	$ (127,750)				$ (111,415)

D. Unrecognized deferred income tax assets:

As of December 31, 2020 and 2019, the Company did not have deferred income tax assets that had not been recognized.

E. The assessment of income tax returns:

As of December 31, 2020, the Company's income tax return was assessed and approved up to 2018.

F. Current income tax liabilities

In addition to tax payable of NT$185,285 thousand calculated based on tax laws, current income tax liabilities also included the tax installment payments of NT$40,511 thousand applied by the Company pursuant to the Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens in 2019.

(23) Earnings per share (EPS)

	Year Ended December 31, 2020		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income attributable to common shareholders of the Company	$ 772,859	209,120	$ 3.70
Effect of dilutive potential common stocks			
Employee compensation - stock	–	1,383	

(Continued)

	Year Ended December 31, 2020		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Diluted earnings per share			
Net income attributable to common shareholders of the Company and effect of potential common stocks	$ 772,859	210,503	$ 3.67

(Concluded)

	Year Ended December 31, 2019		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income attributable to common shareholders of the Company	$ 630,681	209,120	$ 3.02
Effect of dilutive potential common stocks			
Employee compensation - stock	—	1,347	
Diluted earnings per share			
Net income attributable to common shareholders of the Company and effect of potential common stocks	$ 630,681	210,467	$ 3.00

(24) Information on spin-off

On September 30, 2020, the Company spun off its advanced material operation to set up the wholly-owned subsidiary, Taichem Materials Co., Ltd. (Taichem Materials), which would issue new shares to the Company as consideration. Based on the carrying amount of advanced material operation's net assets, the Company received 5,000 thousand shares of Taichem Materials at NT$13.2 per share without recognizing gain or loss on the exchange. The carrying amount of assets and liabilities spun off were as follows:

	Taichem Materials
Current assets	$ 40,964
Property, plant and equipment	25,036
Total	$ 66,000

7. Related Party Transactions

(1) Names and relationships

Name	Relationship
Taistar Co., Ltd.	100% owned subsidiary
Leadmax Limited (Leadmax)	100% owned subsidiary
TSC International Ltd. (TSC)	100% owned second-tier subsidiary
Kunshan Taiflex Electronic Co., Ltd. (Kunshan Taiflex Electronic) (Note 1)	100% owned third-tier subsidiary
TFS Co., Ltd.	100% owned subsidiary

(Continued)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Name	Relationship
Richstar Co., Ltd.	100% owned second-tier subsidiary
Shenzhen Taiflex Electronic Co., Ltd.	100% owned third-tier subsidiary
Geckos Technology Corp. (Geckos)	Investee under the equity method
Koatech Technology Corporation	53.86% owned subsidiary
Taiflex Scientific Japan Co., Ltd.	100% owned subsidiary
Taiflex USA Corporation	100% owned subsidiary
Rudong Fuzhan Scientific Co., Ltd.	100% owned subsidiary
Taichem Materials Co., Ltd. (Note 2)	100% owned subsidiary
Innatech Co., Ltd. (Innatech)	A substantive related party
SINYA Network System Integration Co., Ltd. (SINYA)	A substantive related party

(Concluded)

Note 1: Taiflex Scientific (Kunshan) Co., Ltd. was renamed Kunshan Taiflex Electronic Co., Ltd. on September 1, 2020.

Note 2: The Company spun off its operation in the manufacturing and selling of semiconductor materials to Taichem Materials and acquired 100% of the company on September 30, 2020.

(2) Significant transactions with related parties

A. Sales

	Years Ended December 31	
	2020	2019
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	$ 2,013,588	$ 2,152,377
Others	95,206	8,571
Total	$ 2,108,794	$ 2,160,948

The sales prices of related party transactions were determined through negotiation based on market prices. The outstanding balances as of December 31, 2020 and 2019 were unsecured and non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchases

	Years Ended December 31	
	2020	2019
Subsidiaries		
Rudong Fuzhan Scientific Co., Ltd.	$ 8,894	$ —
Shenzhen Taiflex Electronic Co., Ltd.	2,498	2,147
Kunshan Taiflex Electronic Co., Ltd.	467	29,830
Others	89	—
Total	$ 11,948	$ 31,977

The purchase prices of related party transactions were determined through negotiation based on market prices. The payment terms of related party transactions were comparable with ones of non-related party transactions.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

C. Property transaction

Acquisition of property, plant and equipment

	Years Ended December 31	
	2020	2019
Innatech	$ 10,117	$ 675

Acquisition of intangible assets

	Years Ended December 31	
	2020	2019
Innatech	$ 682	$ -

Proceeds from sale of property, plant and equipment

	Years Ended December 31	
	2020	2019
Geckos	$ 15	$ -

Gain on sale of property, plant and equipment

	Years Ended December 31	
	2020	2019
Geckos	$ 15	$ -

D. Accounts receivable - related parties

	December 31, 2020	December 31, 2019
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	$ 994,433	$ 1,060,113
Kunshan Taiflex Electronic Co., Ltd.	54,707	—
Rudong Fuzhan Scientific Co., Ltd.	36,663	7,938
Others	377	—
Total	$ 1,086,180	$ 1,068,051

E. Other receivables - related parties

(a) Non-financing

	December 31, 2020	December 31, 2019
Subsidiaries		
Rudong Fuzhan Scientific Co., Ltd.	$ 118,364	$ 21,646
Shenzhen Taiflex Electronic Co., Ltd.	4,898	20,220
Others	2,263	—
Substantive related party		
Geckos	132	—
Total	$ 125,657	$ 41,866

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) Financing

December 31, 2020: None.

	December 31, 2019					
	Maximum Balance	Ending Balance	Amount Actually Drawn	Interest Receivable	Interest Rate Range	Interest Income
Subsidiaries	$ 1,390,708	$ 420,658	$ 416,666	$ 1,246	1.70%～4.0%	$ 13,329

F. Prepayments

	December 31, 2020	December 31, 2019
Innatech	$ 777	$ －

G. Accounts payable - related parties

	December 31, 2020	December 31, 2019
Subsidiaries		
Rudong Fuzhan Scientific Co., Ltd.	$ 8,904	$ －
Koatech Technology Corporation	1,557	1,242
Shenzhen Taiflex Electronic Co., Ltd.	164	1,850
Others	466	－
Total	$ 11,091	$ 3,092

H. Other payables – related parties

	December 31, 2020	December 31, 2019
Substantive related parties		
Innatech	$ 6,701	$ 7,932
Others	1,285	－
Subsidiaries		
Taiflex USA Corporation	5,654	6,367
Taiflex Scientific Japan Co., Ltd.	4,349	6,762
Others	508	133
Total	$ 18,497	$ 21,194

I. Others

Rental income

	Years Ended December 31	
	2020	2019
Geckos	$ 1,800	$ －
Taichem Materials Co., Ltd.	113	
Total	$ 1,913	$ －

Rents were determined through negotiation based on market prices. The collection term of rents from related parties were comparable with ones from non-related parties. Rents were collected on a monthly basis.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

J. Compensation to key management

	Years Ended December 31	
	2020	2019
Short-term employee benefits	$ 41,612	$ 40,152
Post-employment benefits	442	435
Total	$ 42,054	$ 40,587

8. Pledged Assets

The following table listed assets of the Company pledged as collateral:

	Carrying Amount		
	December 31, 2020	December 31, 2019	Purpose of Pledge
Time deposits (Note)	$ 20,081	$ 20,031	Customs guarantee
Buildings	39,579	40,928	Letter of credit and short-term credit facilities
Total	$ 59,660	$ 60,959	

Note: These were recognized as other current assets.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Details of the Company's unused letters of credit as of December 31, 2020 were as follows:

	L / C Balance
USD	US$ 8,862 thousand
JPY	JPY 370,000 thousand

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:		
Mandatorily at fair value through profit or loss	$ 29,832	$ 38,131
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	1,207,574	1,678,169
Financial assets at amortized cost	138,719	49,000
Receivables	3,119,528	2,975,863
Other financial assets - current	20,081	20,031

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Financial liabilities

	December 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss:		
Held for trading	$ 11,294	$ 278
Financial liabilities at amortized cost:		
Short-term loans	150,000	670,000
Payables	1,919,581	1,233,717
Long-term loans (including current portion)	440,630	900,000
Lease liabilities	255,038	261,182

(2) Objectives of financial risk management

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

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

(3) Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk, interest rate risk and other price risks.

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

A. Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to its operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Company also uses forward foreign exchange contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward foreign exchange contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis focusing on the impact of foreign exchange rate fluctuations on the Company's profit and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company's foreign currency risk is mainly related to the volatility in the exchange rates of U.S. dollars and Chinese Yuan.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to its variable interest rates for loans.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans.

C. Equity price risk

Equity securities of listed domestic companies held by the Company are susceptible to price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Company's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

A 5% increase/decrease in the prices of listed companies' stocks classified as mandatorily at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2020 and 2019 to increase/decrease by NT$1,470 thousand and NT$1,749 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2020

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	−/+ NT$13,446 thousand
	NTD/RMB appreciate/depreciate by 1%	−/+ NT$10,711 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/− NT$ 756 thousand

For the year ended December 31, 2019

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	−/+ NT$16,975 thousand
	NTD/RMB appreciate/depreciate by 1%	−/+ NT$12,918 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/− NT$ 158 thousand

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily accounts and notes receivable) and financing activities (primarily bank deposits and various financial instruments).

Credit risk is managed by each business unit subject to the Company's credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position and ratings from credit rating agencies, past experience, current economic environment, the Company's internal rating criteria, etc. The Company also uses some credit enhancement tools, such as prepayments or insurances, to reduce the credit risk of certain customers.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Credit risk from balances with banks and other financial instruments is managed by the Company in accordance with the Company's policies. The counterparties that the Company transacts with are reputable financial institutions both at home and abroad; thus, no significant credit risk is expected.

(5) Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarized the maturity profile of the Company's financial liability contracts based on the earliest repayment dates and contractual undiscounted cash flows. The amount also included the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates was extrapolated based on the yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2020					
Borrowings	$ 175,158	$ 250,000	$ 165,630	$ −	$ 590,788
Payables	1,919,581	−	−	−	1,919,581
Lease liabilities	10,554	31,536	22,370	297,113	361,573
December 31, 2019					
Borrowings	$ 670,656	$ 675,000	$ 225,000	$ −	$ 1,570,656
Payables	1,233,717	−	−	−	1,233,717
Lease liabilities	11,058	26,742	18,215	301,070	357,085

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2020					
Inflows	$ 699,107	$ −	$ −	$ −	$ 699,107
Outflows	$ 702,130	−	−	−	$ 702,130
Net	$ (3,023)	$ −	$ −	$ −	$ (3,023)
December 31, 2019					
Inflows	$ 768,739	$ −	$ −	$ −	$ 768,739
Outflows	$ 770,698	−	−	−	$ 770,698
Net	$ (1,959)	$ −	$ −	$ −	$ (1,959)

The derivative financial liabilities in the table above were expressed using undiscounted net cash flows.

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term Loans	Long-term Loans	Lease Liabilities	Total Liabilities from Financing Activities
As of January 1, 2020	$ 670,000	$ 900,000	$ 261,182	$ 1,831,182
Cash flows	(520,000)	(459,370)	(15,930)	(995,300)
Non-cash movement	—	—	9,786	9,786
As of December 31, 2020	$ 150,000	$ 440,630	$ 255,038	$ 845,668

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term Loans	Long-term Loans	Lease Liabilities	Total Liabilities from Financing Activities
As of January 1, 2019	$1,165,000	$ 295,000	$ 261,602	$ 1,721,602
Cash flows	(495,000)	605,000	(15,812)	94,188
Non-cash movement	—	—	15,392	15,392
As of December 31, 2019	$ 670,000	$ 900,000	$ 261,182	$ 1,831,182

(7) Fair values of financial instruments

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

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

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation prices (e.g., listed equity securities, beneficiary certificates, bonds and futures).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

As of December 31, 2020 and 2019, the Company's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

A. Forward foreign exchange contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet dates were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
December 31, 2020		
Sell RMB/Buy NTD	2020.08~2021.04	RMB 78,000/NT$ 330,154
Sell USD/Buy NTD	2020.10~2021.03	US$ 13,000/NT$ 368,953
December 31, 2019		
Sell RMB/Buy NTD	2019.10~2020.04	RMB 102,000/NT$ 437,360
Sell USD/Buy NTD	2019.11~2020.02	US$ 11,000/NT$ 331,379

For forward foreign exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities at the measurement date

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

Level 3 inputs are unobservable inputs for the asset or liability

For assets and liabilities measured at a recurring basis, their categories shall be reevaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

B. Hierarchy of fair value measurement

The Company does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis was disclosed as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ –	$ 423	$ –	$ 423
Stocks	29,409	–	–	29,409
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ –	$ 11,294	$ –	$ 11,294

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ –	$ 3,150	$ –	$ 3,150
Stocks	34,981	–	–	34,981
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ –	$ 278	$ –	$ 278

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

(10) Significant financial assets and liabilities denominated in foreign currencies

Information on significant financial assets and liabilities denominated in foreign currencies was listed below:

	December 31, 2020			December 31, 2019		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 83,220	28.126	$ 2,340,648	$ 71,666	30.0470	$ 2,153,828
RMB	249,268	4.3140	1,075,343	299,026	4.3155	1,290,447
Financial liabilities						
Monetary items						
USD	$ 40,656	28.126	$ 1,143,485	$ 15,174	30.0470	$ 455,936
JPY	222,038	0.2713	60,239	227,161	0.2764	62,787

The data above was disclosed based on the carrying amounts in foreign currencies (already translated to functional currencies).

As the Company transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the years ended December 31, 2020 and 2019, the Company's foreign exchange gain (loss) amounted to NT$(76,019) thousand and NT$(103,220) thousand, respectively.

(11) Capital management

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

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(12) Information on financial assets transferred

Derecognition of financial assets transferred in their entirety.

A part of the Company's accounts receivables was used in factoring agreements without recourse with financial institutions. In addition to derecognizing the contractual rights to cash flows from these account receivables, the Company did not have to bear the default risks in accordance with the agreements. The requirements for financial asset derecognition were satisfied. Transaction details were as follows:

December 31, 2020				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US$ 623 thousand	US$ 623 thousand	0.8034%	US$ 5,000 thousand
Taishin International Bank	US$6,758 thousand	US$6,758 thousand	0.71%~0.88%	NT$690,000 thousand
Taipei Fubon Bank	US$1,222 thousand	US$1,222 thousand	0.78%	US$ 6,000 thousand

The Company had no factoring agreements as of December 31, 2019.

13. Additional Disclosures

(1) Information on significant transactions and investees

A. Financing provided to others: Please refer to Table 1.

B. Endorsement/guarantee provided to others: Please refer to Table 2.

C. Marketable securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2020: Please refer to Table 4.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2020: Please refer to Table 5.

I. Direct or indirect significant influence or control over the investees for the year ended December 31, 2020 (excluding investments in China): Please refer to Table 6.

J. Derivative financial instrument transactions: Please refer to Note 12.

(2) Information on investments in Mainland China: Please refer to Table 7.

(3) Information on major shareholders: Please refer to Table 8.

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	$ 242,200	$ 225,008	$ -	1.70%~4.00%	2	—	Operating capital	—	—	—	$ 1,491,973	$ 2,983,946	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	423,850	393,764	-	1.70%~4.00%	2	—	Operating capital	—	—	—	1,491,973	2,983,946	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	260,220	258,840	258,840	0%	2	—	Operating capital	—	—	—	745,689	745,689	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	433,700	431,400	172,560	0%	2	—	Operating capital	—	—	—	745,689	745,689	(Note 9)

Note 1: Companies are coded as follows:
(1) Taiflex Scientific Co., Ltd. is coded "0".
(2) The investees are coded from "1" in the order presented in the table above.

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments, temporary payments, etc. are required to be disclosed in this field if they are financings provided to others.

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2020.

Note 4: Nature of Financing is coded as follows:
(1) Business transaction is coded "1".
(2) Short-term financing is coded "2".

Note 5: If the nature of financing is business transaction, the amount of transaction shall be disclosed. The amount of transaction refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counterparty shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the purchase or sales amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For offshore companies that the Company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to any single entity and the total financing shall not exceed 100% of the financing company’s net worth in the most recent financial statements.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawdown shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayment may be made subsequently, as drawdowns are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	$ 3,729,932	$ 615,636	$ 492,205	$ 13,410	-	6.60%	$ 3,729,932	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,729,932	730,529	293,957	-	-	3.94%		Y	N	Y

Note 1: Companies are coded as follows:
(1) Taiflex Scientific Co., Ltd. is coded "0".
(2) The investees are coded from "1" in the order presented in the table above.

Note 2: The relationships between endorsement/guarantee providers and guaranteed parties are categorized into the following seven types. Please specify the type.
(1) A company that has business relationships with Taiflex.
(2) A company in which Taiflex directly or indirectly holds over 50% of the voting rights.
(3) A company that directly or indirectly holds over 50% of Taiflex’s voting rights.
(4) Endorsements/guarantees between companies in which Taiflex directly or indirectly holds over 90% of the voting rights.
(5) Mutual endorsements/guarantees between companies in the same industry or between joint builders which are provided in accordance with contractual terms for construction projects.
(6) Endorsements/guarantees provided by each shareholder for their jointly invested company in proportion to their shareholding percentages.
(7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 3: The overall amount of guarantees/endorsements provided shall not exceed 50% of the Company's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to a single entity shall not exceed 20% of the net worth in the most recent financial statements. However, the restriction does not apply to guarantees/endorsements to companies whose voting rights are 100% held, either directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the year ended December 31, 2020.

Note 5: This refers to amounts approved by the board of directors. However, where the authority has been delegated by the board to the chairperson in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, this would be the amounts approved by the chairperson.

Note 6: This is the ending balance after evaluation.

Note 7: Fill in “Y” for endorsements/guarantees provided by listed parent companies to subsidiaries and vice versa, and for ones provided to subsidiaries in Mainland China.

TABLE 3: MARKETABLE SECURITIES HELD AS OF DECEMBER 31, 2020 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	December 31, 2020				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	25	—	0.30%	—	—
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	741	—	18.10%	—	—
	Listed stocks	Zhen Ding Technology Holding Limited	—	Financial assets at fair value through profit or loss - current	255	$ 29,409	0.03%	$ 29,409	—

Note 1: The marketable securities stated in this table shall refer to stocks, bonds, beneficiary certificates and securities derived from the said items within the scope of IFRS 9 "Financial Instruments".

Note 2: Not required if the issuer of the marketable securities is not a related party.

Note 3: If marketable securities are measured at fair value, please fill in the fair value after valuation adjustment, net of accumulated impairment. If marketable securities are not measured at fair value, please fill in the original cost or amortized cost, net of accumulated impairment.

TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Percentage to Total Sales (Purchases)	Collection/ Payment Terms	Unit Price	Collection/ Payment Terms	Ending Balance	Percentage to Total Notes/ Accounts Receivable (Payable)	
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	$ 2,013,588	26.88%	180 days from the end of month	—	—	$ 994,433	33.56%	—
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchase on behalf of others	124,727	(Note 2)	180 days from the end of month	—	—	118,364	(Note 2)	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	2,013,588	66.24%	180 days from the end of month	—	—	(994,433)	(56.95%)	—
Rudong Fuzhan Scientific Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	124,727	16.62%	180 days from the end of month	—	—	118,364	26.34%	—

Note 1: The sales prices and collection terms of sales to related parties are not significantly different from those of sales to non-related parties.

Note 2: These are recognized as purchases on behalf of others and other receivables. Thus, they need not be calculated as a percentage of sales and receivables.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	$ 994,433	1.96	—	—	$ 66,935	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	4,898	(Note 1)	—	—	—	—	—
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	118,364	(Note 1)	—	—	—	—	—
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	36,663	1.70	—	—	—	—	—

Note: These are recognized as other receivables. Thus, turnover ratio analysis does not apply.

TABLE 6: INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Ownership Percentage	Carrying Amount			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	$ 704,536	$ 704,536	21,825	100.00%	$ 776,829	$ (25,521)	$ (25,521)	—
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	594	(194)	(194)	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	222,049	25,474	9,051	(Note 1) (Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,972	15.07%	28,835	(50,114)	(7,396)	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	495,136	24,594	24,594	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,062,808	927,740	35,000	69.29%	1,170,832	80,176	55,519	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	17,587	178	178	—
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	8,708	(207)	(207)	—
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	28,699	16,182	2,524	42.08%	12,149	(22,099)	(8,755)	—
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	66,000	—	5,000	100.00%	61,416	(4,584)	(4,584)	—
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	30.71%	518,846	80,176	24,657	—
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	745,754	(9,225)	(9,225)	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	17,740	2,986	2,986	—
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	17,551	2,986	2,986	—

Note 1: Including amortization of property, plant and equipment.
Note 2: Including unrealized gain/loss between affiliates.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2020	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2020	Accumulated Inward Remittances of Earnings as of December 31, 2020
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Selling of chemical products, electronic materials and electronic components	$767,141 (US$24,000,000)	2	$ 767,141	-	-	$ 767,141	$ (9,205)	100.00%	$ (9,205)	$ 745,689	$ 135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	$1,062,808 (US$35,000,000)	2	927,740	$135,068	-	1,062,808	7,934	100.00%	7,934	1,067,852	-
	Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	$479,160 (US$15,500,000)	2	479,160	-	-	479,160	72,274	100.00%	72,274	621,765	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	$28,351 (US$950,000)	2	28,351	-	-	28,351	2,986	53.86%	1,608	9,446	-

	Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
Taiflex Scientific Co., Ltd.	$ 2,309,109	$ 2,326,872	(Note 3)
Koatech Technology Corporation	$ 28,351	$ 40,318	$153,877 (Note 4)

Note 1: The methods for investment in Mainland China are categorized into the following three types. Please specify the type.
(1) Direct investment in Mainland China.
(2) Investment in Mainland China through companies in the third area.
(3) Others.

Note 2: Significant transactions with the investees in China, either directly or indirectly through the third area, and the relevant prices, payment terms and unrealized gains or losses:
(1) Purchase and ending balance of related payables and their weightings: see Table 4.
(2) Sales and ending balance of related receivables and their weightings: see Tables 4 and 5.
(3) The transaction amount and gain or loss arising from property transactions: N/A.
(4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
(5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.
(6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters in May 2019. Thus, the limit stipulated in the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" does not apply.

Note 4: The upper limit on investment is calculated as follows:
Koatech Technology Corporation: NT$256,462 thousand × 60% = NT$153,877 thousand

TABLE 8: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Share / Name of Major Shareholders	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.	17,388,000	8.31%
Qiao Mei Development Corporation	16,263,729	7.77%
BaoJie Funds in custody of Standard Chartered Bank Main Branch	11,970,120	5.72%

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

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

TAIFLEX SCIENTIFIC COMPANY LIMITED

1. STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Petty cash		$ 150	
Cash on hand		183	
Subtotal		333	
Bank deposits:			
Checking & demand deposits in NTD		989,999	Exchange rate:
Demand deposits – USD	US$ 5,131 thousand	144,304	28.1260
Demand deposits – JPY	JPY 19,018 thousand	5,160	0.2713
Demand deposits – HKD	HK$ 7 thousand	24	3.6250
Demand deposits – RMB	RMB 4,204 thousand	18,137	4.3140
Demand deposits – EUR			
Time deposits - NTD		49,800	
Subtotal		1,207,424	
Total		$ 1,207,757	

TAIFLEX SCIENTIFIC COMPANY LIMITED

2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

December 31, 2020

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Listed stocks	Zhen Ding Technology Holding Limited	254,625	114.00	$ 29,409	
Forward foreign exchange contract	Notional amount of US$5,000 thousand			423	
				$ 29,832	

TAIFLEX SCIENTIFIC COMPANY LIMITED

3. STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Time deposits in NTD	Time deposits - current	$ 79,000	
Restricted bank deposits		59,719	
	Total	$ 138,719	

TAIFLEX SCIENTIFIC COMPANY LIMITED
4. STATEMENT OF NOTES RECEIVABLE, NET
December 31, 2020

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company A		$ 894	
Company B		252	
Company C		221	
Company D		181	
Others (Note)		30	
Total		1,578	
Less: Loss allowance		-	
Net		$ 1,578	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
5. STATEMENT OF ACCOUNTS RECEIVABLE, NET
December 31, 2020

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company E		$ 526,162	
Company F		197,764	
Company G		195,723	
Company H		156,288	
Company I		148,939	
Company J		121,804	
Others (Note)		528,744	
Total		1,875,424	
Less: Loss allowance		(12,173)	
Net		$ 1,863,251	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
6. STATEMENT OF ACCOUNTS RECEIVABLE – RELATED PARTIES
December 31, 2020

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Shenzhen Taiflex Electronic Co., Ltd.		$ 994,433	
Kunshan Taiflex Electronic Co., Ltd.		54,707	
Rudong Fuzhan Scientific Co., Ltd.		36,663	
Koatech Technology Corporation		377	
Total		1,086,180	
Less: Loss allowance		-	
Net		$ 1,086,180	

TAIFLEX SCIENTIFIC COMPANY LIMITED
7. STATEMENT OF OTHER RECEIVABLES
December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Income tax refund receivable	Business tax refund receivable	$ 36,202	
Other receivables	Receivables from sales of scraps	6,166	
Earned revenue receivable	Estimated interest income from time deposits	494	
Total		$ 42,862	

TAIFLEX SCIENTIFIC COMPANY LIMITED
8. STATEMENT OF OTHER RECEIVABLES – RELATED PARTIES
December 31, 2020

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Rudong Fuzhan Scientific Co., Ltd.	Items purchased on behalf of others	$ 118,364	
Shenzhen Taiflex Electronic Co., Ltd.	Items purchased on behalf of others	4,898	
Kunshan Taiflex Electronic Co., Ltd.	Items purchased on behalf of others	1,224	
Koatech Technology Corporation	Items purchased on behalf of others	977	
Geckos Technology Corporation	Rental income	132	
Taiflex USA Corporation	Payment on behalf of others	62	
Total		$ 125,657	

TAIFLEX SCIENTIFIC COMPANY LIMITED
9. STATEMENT OF INVENTORIES
December 31, 2020

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value	Note
Raw materials	$ 544,912	$ 511,022	
Inventories in transit	8,057	8,057	
Supplies	8,951	8,951	
Finished goods	378,630	346,069	
Merchandise	7,033	7,033	
Total	947,583		
Less: allowance for inventory valuation losses	(66,451)		
Net	$ 881,132		

TAIFLEX SCIENTIFIC COMPANY LIMITED
10. STATEMENT OF PREPAYMENTS
December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Prepaid expenses		$ 19,869	
Prepayment for purchases		9,129	
Others (Note)		2,656	
Total		$ 31,654	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
11. STATEMENT OF OTHER CURRENT ASSETS
December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Other financial assets		$ 20,081	
Others (Note)		1,358	
Total		$ 21,439	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
12. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Investee	Beginning Balance		Increase		Decrease		Repatriation of Profits	Share of Profits/Losses of Investee	Exchange Differences Arising on Translation of Foreign Operations	Ending Balance			Market Value or Net Equity Value	Valuation Basis	Collateral/ Pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of Ownership	Amount				
Taistar Co., Ltd.	21,825,000	$ 944,245	-	$ -	-	$ (3,634)	$ (135,257)	$ (25,521)	$ (3,004)	21,825,000	100.00%	$ 776,829	$ 776,829	Equity method	None	(Note 1)
Leadmax Limited	10,000	8,345	-	-	-	-	(7,515)	(194)	(42)	10,000	100.00%	594	594	Equity method	None	
Innovision FlexTech Corp.	3,971,794	36,218	-	13	-	-	-	(7,396)	-	3,971,794	15.07%	28,835	28,835	Equity method	None	(Note 2)
Koatech Technology Corp.	13,700,126	212,985	-	-	-	-	-	9,051	13	13,700,126	53.86%	222,049	222,049	Equity method	None	
TFS Co., Ltd.	15,520,000	470,934	-	2,513	-	(2,456)	-	24,594	(449)	15,520,000	100.00%	495,136	495,136	Equity method	None	(Note 3)
Richstar Co., Ltd.	30,500,000	977,510	4,500,000	137,524	-	-	-	55,519	279	35,000,000	69.29%	1,170,832	1,170,832	Equity method	None	(Note 4)
Taiflex Scientific Japan Co., Ltd.	6,000	17,740	-	-	-	-	-	178	(331)	6,000	100.00%	17,587	17,587	Equity method	None	
Taiflex USA Corporation	1,000	9,513	-	-	-	-	-	(207)	(598)	1,000	100.00%	8,708	8,708	Equity method	None	
Geckos Technology Corp.	1,561,960	13,252	962,829	12,517	-	(4,865)	-	(8,755)	-	2,524,789	42.08%	12,149	12,149	Equity method	None	(Note 5)
Taichem Materials Co., Ltd.	-	-	5,000,000	66,000		-	-	(4,584)	-	5,000,000	100.00%	61,416	61,416	Equity method	None	(Note 6)
Subtotal		$ 2,690,742		$ 218,567		$ (10,955)	$ (142,772)	$ 42,685	$ (4,132)			$ 2,794,135				
Less: Accumulated impairment		-		-		-	-	-	-			-				
Net		$ 2,690,742		$ 218,567		$ (10,955)	$ (142,772)	$ 42,685	$ (4,132)			$ 2,794,135				

Note 1: The decrease was a result of downstream transactions between subsidiaries of NT$3,634 thousand.
Note 2: The increase was a result of changes in ownership interests in subsidiaries of NT$13 thousand.
Note 3: The increase was a result of lateral transactions between subsidiaries of NT$2,513 thousand and the decrease was a result of adjustments for non-proportional share subscription of NT$2,456 thousand.
Note 4: The increase was a result of an increase in investment of NT$135,068 thousand and adjustments for non-proportional share subscription of NT$2,456 thousand.
Note 5: The increase was a result of an increase in investment of NT$12,517 thousand and the decrease was a result of adjustments for non-proportional share subscription of NT$4,865 thousand.
Note 6: The increase was a result of an increase in investment of NT$66,000 thousand.

TAIFLEX SCIENTIFIC COMPANY LIMITED
13. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes				Ending Balance	Collateral/ Pledge	Note
		Additions	Disposals	Spin-off	Reclassification			
Original cost								
Buildings	$ 1,032,847	$ 19,568	$ -	$ -	$ 9,506	$1,061,921	Part of property, plant and equipment, such as buildings, are pledged as collateral.	
Machinery and equipment	2,307,636	21,928	(9,497)	(2,740)	100,972	2,418,299		
Hydropower equipment	374,505	4,569	(230)	-	2,909	381,753		
Testing equipment	331,916	16,111	(4,549)	(45,012)	3,761	302,227		
Miscellaneous equipment	195,630	8,801	(3,985)	-	8,472	208,918		
Subtotal	4,242,534	70,977	(18,261)	(47,752)	125,620	4,373,118		
Construction in progress and equipment awaiting inspection	259,823	218,151	-	-	(174,056)	303,918		
Total cost	$ 4,502,357	$ 289,128	$ (18,261)	$ (47,752)	$ (48,436)	$4,677,036		

TAIFLEX SCIENTIFIC COMPANY LIMITED
14. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes				Ending Balance	Note
		Additions	Disposals	Spin-off	Reclassification		
Buildings	$ 252,441	$ 44,368	$ -	$ -	$ -	$ 296,809	
Machinery and equipment	1,548,162	154,393	(9,497)	(1,370)	-	1,691,688	
Hydropower equipment	222,021	14,297	(230)	-	-	236,088	
Testing equipment	153,203	28,885	(4,549)	(21,346)	-	156,193	
Miscellaneous equipment	114,311	15,943	(3,985)	-	-	126,269	
Total accumulated depreciation	$ 2,290,138	$ 257,886	$ (18,261)	$ (22,716)	$ -	$2,507,047	

TAIFLEX SCIENTIFIC COMPANY LIMITED
15. STATEMENT OF CHANGES IN ACCUMULATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes				Ending Balance	Note
		Additions	Disposals	Spin-off	Reclassification		
Buildings	$ -	$ -	$ -	$ -	$ -	$ -	
Machinery and equipment	-	24,000	-	-	-	24,000	
Hydropower equipment	-	-	-	-	-	-	
Testing equipment	-	-	-	-	-	-	
Miscellaneous equipment	-	-	-	-	-	-	
Total accumulated impairment	$ -	$ 24,000	$ -	$ -	$ -	$ 24,000	

TAIFLEX SCIENTIFIC COMPANY LIMITED
16. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
For the Year Ended December 31, 2020
In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Original cost						
Right-of-use assets - Land	$ 247,999	$ -	$ -	$ 3,350	$ 251,349	
Right-of-use assets – Buildings	2,810	-	-	-	2,810	
Right-of-use assets - Transportation equipment	19,870	3,387	-	(3,084)	20,173	
Total costs	$ 270,679	$ 3,387	$ -	$ 266	$ 274,332	

TAIFLEX SCIENTIFIC COMPANY LIMITED
17. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
For the Year Ended December 31, 2020
In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Right-of-use assets - Land	$ 6,066	$ 6,116	$ -	$ -	$ 12,182	
Right-of-use assets – Buildings	1,054	1,053	-	-	2,107	
Right-of-use assets - Transportation equipment	4,394	6,036	-	(1,545)	8,885	
Total accumulated depreciation	$ 11,514	$ 13,205	$ -	$ (1,545)	$ 23,174	

TAIFLEX SCIENTIFIC COMPANY LIMITED

18. STATEMENT OF CHANGES IN INTANGIBLE ASSETS

For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Additions	Reclassification	Ending Balance	Note
Original cost					
Trademarks	$ 691	$ -	$ -	$ 691	
Patents	17,970	342	-	18,312	
Software cost	143,710	13,819	418	157,947	
Total	$ 162,371	$ 14,161	$ 418	$ 176,950	

TAIFLEX SCIENTIFIC COMPANY LIMITED

19. STATEMENT OF CHANGES IN ACCUMULATED AMORTIZATION OF INTANGIBLE ASSETS

For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Additions	Reclassification	Ending Balance	Note
Trademarks	$ 379	$ 57	$ -	$ 436	
Patents	9,687	828	-	10,515	
Software cost	99,774	15,758	-	115,532	
Total	$ 109,840	$ 16,643	$ -	$ 126,483	

TAIFLEX SCIENTIFIC COMPANY LIMITED

20. STATEMENT OF OTHER NON-CURRENT ASSETS

December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Refundable deposits	1. Security deposit for car leases	$ 5,541	
	2. Construction bonds	426	
	3. Others (Note)	417	
		$ 6,384	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

21. STATEMENT OF SHORT-TERM LOANS

December 31, 2020

In Thousands of New Taiwan Dollars

Bank	Description	Loan Amount	Contract Term	Interest Rate	Note
Citibank Taiwan	Short-term working capital	$ 150,000	2020.12.11~2021.06.09	0.7300%	

TAIFLEX SCIENTIFIC COMPANY LIMITED

22. STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

December 31, 2020

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Forward foreign exchange contract	Notional amount of RMB78,000 thousand			$ 9,340	
	Notional amount of US$8,000 thousand			1,954	
				$ 11,294	

TAIFLEX SCIENTIFIC COMPANY LIMITED
23. STATEMENT OF ACCOUNTS PAYABLES
December 31, 2020

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Company K		$ 438,767	
Company L		240,148	
Company M		188,487	
Company N		120,470	
Others (Note)		425,634	
Total		$ 1,413,506	

Note: Vendors with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
24. STATEMENT OF ACCOUNTS PAYABLE – RELATED PARTIES
December 31, 2020

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Rudong Fuzhan Scientific Co., Ltd.		$ 8,904	
Koatech Technology Corp.		1,557	
Shenzhen Taiflex Electronic Co., Ltd.		164	
Kunshan Taiflex Electronic Co., Ltd.		466	
Total		$ 11,091	

TAIFLEX SCIENTIFIC COMPANY LIMITED
25. STATEMENT OF OTHER PAYABLES
December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Bonus payables	Year-end and performance bonuses	$ 144,333	
Employee compensation payables		75,524	
Others (Note)		256,618	
Total		$ 476,475	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
26. STATEMENT OF OTHER PAYABLES – RELATED PARTIES
December 31, 2020

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Innatech Co., Ltd.		$ 6,701	
Taiflex Scientific Japan Co., Ltd.		5,654	
Taiflex USA Corporation		4,349	
SINYA Network System Integration Co., Ltd.		1,285	
Shenzhen Taiflex Electronic Co., Ltd. – Kunshan Branch		508	
Total		$ 18,497	

TAIFLEX SCIENTIFIC COMPANY LIMITED
27. STATEMENT OF LONG-TERM LOANS
December 31, 2020

In Thousands of New Taiwan Dollars

Bank	Type	Amount	Current Portion	Unamortized Syndicated Loan Fee	Net	Contract Term	Interest Rate	Collateral	Repayment
Bank of Taiwan	Syndicated loan	$ 140,630	$ -	$ -	$ 140,630	2020.10.29-2025.10.28	0.8%~1.2645%	None	Revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China	Medium to long-term credit loan	150,000	25,000	-	125,000	2019.06.28-2024.06.28	0.8%~1.2645%	None	Non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank	Medium to long-term credit loan	90,000	-	-	90,000	2020.10.05-2022.10.05	0.8%~1.2645%	None	Revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank	Medium to long-term credit loan	60,000	-	-	60,000	2020.10.05-2022.10.05	0.8%~1.2645%	None	Revolving for 2 years after the commencement date with monthly interest payment
Total		$ 440,630	$ 25,000	$ -	$ 415,630				

TAIFLEX SCIENTIFIC COMPANY LIMITED
28. STATEMENT OF LEASE LIABILITIES
December 31, 2020

In Thousands of New Taiwan Dollars

Item	Description	Lease Term	Discount Rate	Ending Balance	Note
Land		2016.01.01-2067.12.31	1.7970%	$ 242,919	
Transportation equipment		2015.02.26-2025.06.14	1.0511%~1.7970%	11,404	
Buildings		2018.08.20-2021.08.19	1.7970%	715	
			Total	$ 255,038	
			Current portion of lease liabilities	(10,554)	
			Lease liabilities - non-current	$ 244,484	

TAIFLEX SCIENTIFIC COMPANY LIMITED
29. STATEMENT OF OTHER CURRENT LIABILITIES
December 31, 2020

In Thousands of New Taiwan Dollars

Item	Amount	Note
Temporary receipts	$ 31	
Receipts under custody	1,950	
Total	$ 1,981	

TAIFLEX SCIENTIFIC COMPANY LIMITED
30. STATEMENT OF NET DEFINED BENEFIT LIABILITIES – NON-CURRENT
For the Year Ended December 31, 2020
In Thousands of New Taiwan Dollars

Item	Amount	Note
Beginning balance	$ 219,550	
Expenses incurred	9,861	
Contribution	(2,673)	
Actuarial gain (loss)	35,220	
Ending balance	$ 261,958	

TAIFLEX SCIENTIFIC COMPANY LIMITED
31. STATEMENT OF NET REVENUE
For the Year Ended December 31, 2020
In Thousands of New Taiwan Dollars

Item	Quantity	Amount
Electronic materials	39,461,149	$ 7,509,341
Others (Note)	347,132	65,756
Total		7,575,097
Less: Sales returns and discounts and allowances	(21,732)	(84,056)
Net		$ 7,491,041

Note: Items with balances less than 10% of net revenue are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
32. STATEMENT OF COST OF REVENUE
For the Year Ended December 31, 2020
In Thousands of New Taiwan Dollars

Item			Amount	
Manufacturing:				
	Raw materials, beginning balance		$	283,243
	Add:	Raw materials purchased		4,918,518
	Less:	Raw materials, ending balance		(552,793)
		Others		(61,308)
		Sale of raw materials		(181,649)
		Scrapped		(4,249)
	Raw materials used			4,401,762
	Direct labor			299,447
	Manufacturing overhead			970,945
	Total manufacturing cost			5,672,154
	Add:	Work in progress, beginning balance		65,814
	Less:	Work in progress, ending balance		-
	Cost of finished goods			5,737,968
	Add:	Finished goods, beginning balance		324,277
	Less:	Finished goods, ending balance		(378,630)
		Others		(67,556)
		Scrapped		(2,942)
	Total cost of production and sales			5,613,117
Trading:				
	Merchandise, beginning balance			4,415
	Add:	Purchases		75,938
	Less:	Merchandise, ending balance		(7,209)
		Others		(9,906)
		Scrapped		(879)
	Cost of goods sold			5,675,476
	Others			28,181
	Total cost of revenue		$	5,703,657

TAIFLEX SCIENTIFIC COMPANY LIMITED
33. STATEMENT OF OPERATING EXPENSES
For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	$ 53,999	$ 129,488	$ 89,864	$ 273,351
Research and experiment	-	-	91,216	91,216
Export	148,638	-	-	148,638
Others (Note)	99,280	127,741	79,858	306,879
Total	$ 301,917	$ 257,229	$ 260,938	$ 820,084

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
34. STATEMENT OF NON-OPERATING INCOME AND EXPENSES
For the Year Ended December 31, 2020

In Thousands of New Taiwan Dollars

Item	Amount	
Interest income	$	5,168
Dividend income		1,146
Rental income		2,324
Miscellaneous income		21,514
Total other income		24,984
Gain on disposal of property, plant and equipment		35
Foreign exchange (loss) gain, net		(76,019)
Net (loss) gain on financial assets and liabilities at fair value through profit or loss		(15,997)
Impairment loss for non-financial assets		(24,000)
Other losses		(394)
Total other gains and losses		(116,375)
Finance costs		(15,318)
Share of profit or loss of subsidiaries and associates accounted for under the equity method		42,685
Total non-operating income and expenses	$	(58,856)