

**Promate Electronic Co., Ltd. and
Subsidiaries**

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Audit Report**

TABLE OF CONTENTS

	<u>ITEMS</u>	<u>PAGE</u>	<u>FINANCIAL REPORT NOTE NO.</u>
I.	Cover	1	-
II.	Table of Contents	2	-
III.	Independent Auditor’s Review Report	3 ~ 6	-
IV.	Balance Sheet	7	-
V.	Statement of Comprehensive Income	8~9	-
VI.	Statement of Changes in Equity	10	-
VII.	Statement of Cash Flow	11 ~ 12	-
VIII.	Notes to Financial Statements		
	1. General Information	13	1
	2. Approval of Financial Statements	13	2
	3. Application of New, Amended, and Revised Standards and Interpretation	13 ~ 16	3
	4. Summary of Significant Accounting Policies	16 ~ 27	4
	5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty	27	5
	6. Descriptions of Significant Accounting Items	28 ~ 58	6~31
	7. Transaction with Related Parties	58 ~ 62	32
	8. Assets Pledged as Collateral or for Security	62	33
	9. Significant Contingent Liabilities and Unrecognized Commitments	62	34
	10. Significant Events After the Balance Sheet Date	63	35
	11. Others	63 ~ 64	36
	12. Supplementary Disclosures	64 ~ 73	37
	1). Information Related to Material Transactions		
	2). Intercompany Relationships and Significant Transactions		
	3). Investments in Mainland China		
	4). Significant Transactions between the Company and Subsidiaries		
	5). Information of Major Shareholders		

INDEPENDENT AUDITORS REPORT

The Board of Directors and Shareholders
Promate Electronics Co. Ltd.

Opinion

We have audited the accompanying financial statements of Promate Electronics Co. Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the Income Statement, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company’s financial statements for the year ended December 31, 2020 is stated as follows:

Occurrence of shipment with revenue gained from specific clients

The Company specializes in trading distributed components, Liquid Crystal Display products, and image processing IC. Based on the materiality and auditing standards, revenue recognition is presumed to be a significant risk. Therefore, the engaging partner believes that the existence of sales revenue with specific clients would materially affect the

occurrence of the financial statement, which is the reason the audit team listed the occurrence of shipment with sales revenue from certain clients as the key audit matter of 2020 audit process. Refer to note 4(14) for more details of revenue recognition policy.

Our main audit procedures performed in respect of above matter include the following:

1. We understood the internal control procedures for revenue recognition and the relevant approval process followed by the Company's management.
2. We utilized audit sampling on specific clients' shipments, which we would verify the relevant documents and test the receivable collection to confirm the existence of sales transaction.
3. We ascertained sales returns and discounts that occurred after the balance sheet date, to ensure whether there is a material misstatement on sales revenue from specific clients in the Company's financial statement.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about

the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Li-Huang Lee and Po-Jen Weng..

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 1,386,846	12	\$ 724,897	8
Financial assets at fair value through profit or loss - current (Notes 4, 7, and 34)	7,022	-	1,524	-
Financial assets at amortized cost - current (Notes 4, 9, 10 and 34)	2,278	-	2,423	-
Notes receivable (Notes 4, 11 and 34)	28,258	-	23,832	-
Accounts receivable (Notes 4, 10, 11 and 34)	3,994,127	36	2,988,186	33
Accounts receivable from related parties (Notes 4, 11, 34 and 35)	1,293,440	12	828,304	9
Other receivables (Notes 4, 11 and 34)	705,315	6	631,644	7
Current tax assets (Notes 4 and 28)	-	-	31,548	1
Inventories (Notes 4 and 12)	2,038,242	18	2,426,913	27
Other current assets (Notes 18)	4,456	-	7,731	-
Total current assets	<u>9,459,984</u>	<u>84</u>	<u>7,667,002</u>	<u>85</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 34)	34,826	-	17,558	-
Investments accounted for using the equity method (Notes 4 and 14)	884,435	8	791,229	9
Property, plant and equipment (Notes 4, 15, 32 and 36)	317,389	3	322,945	3
Right-of-use assets (Notes 4, 16 and 35)	21,437	-	29,623	-
Other intangible assets (Notes 4 and 17)	2,649	-	3,312	-
Deferred tax assets (Notes 4 and 28)	103,670	1	59,209	1
Other non-current assets (Notes 18 and 37)	401,138	4	152,823	2
Total non-current assets	<u>1,765,544</u>	<u>16</u>	<u>1,376,699</u>	<u>15</u>
TOTAL	<u>\$ 11,225,528</u>	<u>100</u>	<u>\$ 9,043,701</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19, 32, 34 and 37)	\$ 2,405,108	21	\$ 2,641,746	29
Short-term bills payable (Notes 19, 32, 34 and 36)	190,000	2	210,000	2
Contract liabilities - current (Notes 22 and 26)	39,593	-	56,243	1
Notes payable (Notes 21 and 34)	24	-	19	-
Accounts payable (Notes 21 and 34)	2,584,169	23	1,722,728	19
Accounts payable to related parties (Notes 21, 34 and 35)	16,413	-	17,844	-
Other payables (Notes 22 and 34)	283,008	3	241,223	3
Other payables to related parties (Notes 22 and 34)	10,078	-	4,236	-
Current tax liabilities (Notes 4 and 28)	50,437	-	-	-
Lease liabilities - current (Notes 4, 16, 32 and 34)	7,507	-	8,170	-
Current portion of long-term borrowings (Notes 19, 32, 34 and 37)	-	-	18,828	-
Other current liabilities (Note 22)	307,857	3	221,620	3
Total current liabilities	<u>5,894,194</u>	<u>52</u>	<u>5,142,657</u>	<u>57</u>
NON-CURRENT LIABILITIES				
Bonds Payable (Notes 20)	967,284	9	-	-
Deferred tax liabilities (Notes 4 and 28)	146,456	1	110,142	1
Lease liabilities - noncurrent (Notes 4, 16, 32 and 35)	13,887	-	21,167	-
Net defined benefit liabilities - noncurrent (Notes 4 and 24)	32,515	-	32,167	-
Guarantee deposits received (Notes 22)	284,800	3	59,960	1
Total non-current liabilities	<u>1,444,942</u>	<u>13</u>	<u>223,436</u>	<u>2</u>
Total liabilities	<u>7,339,136</u>	<u>65</u>	<u>5,366,093</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 24, 25, 29, 30 and 31)				
Share capital	1,791,260	16	1,790,452	20
Ordinary shares	1,791,260	16	1,790,452	20
Capital surplus	712,730	7	657,690	7
Retained earnings				
Legal reserve	818,510	7	771,714	9
Special reserve	15,204	-	4,789	-
Unappropriated earnings	541,910	5	468,168	5
Total retained earnings	<u>1,375,624</u>	<u>12</u>	<u>1,244,671</u>	<u>14</u>
Other equity	6,778	-	(15,205)	-
Total equity	<u>3,886,392</u>	<u>35</u>	<u>3,677,608</u>	<u>41</u>
TOTAL	<u>\$ 11,225,528</u>	<u>100</u>	<u>\$ 9,043,701</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26 and 35)				
Sales	\$ 25,061,287	100	\$ 21,061,405	100
OPERATING COSTS (Notes 4, 12, 27 and 35)				
Cost of sales	(23,622,243)	(94)	(19,835,101)	(94)
GROSS PROFIT	1,439,044	6	1,226,304	6
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	-	-	(211)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	689	-	-	-
REALIZED GROSS PROFIT	1,439,733	6	1,226,093	6
OPERATING EXPENSES (Notes 27 and 35)				
Selling and marketing expenses	(597,021)	(2)	(557,188)	(3)
General and administrative expenses	(101,033)	(1)	(108,608)	-
Research and development expenses	(3,667)	-	(4,241)	-
Total operating expenses	(701,721)	(3)	(670,037)	(3)
OPERATING PROFIT	738,012	3	556,056	3
NON-OPERATING INCOME AND EXPENSES (Notes 4, 14, 27,30 and 35)				
Interest income	1,363	-	2,596	-
Other income	17,013	-	17,361	-
Other gains and losses	(212,233)	(1)	(56,890)	-
Finance costs	(68,809)	-	(103,670)	(1)
Share of loss of associates	154,253	-	138,331	-
Total non-operating income and expenses	(108,413)	(1)	(2,272)	(1)
PROFIT BEFORE INCOME TAX	629,599	2	553,784	3
INCOME TAX EXPENSE (Notes 4 and 28)	(93,583)	-	(84,129)	(1)
NET PROFIT FOR THE PERIOD	536,016	2	469,655	2

(Continued)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 24)	(\$ 915)	-	(\$ 2,005)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 25)	10,127	-	(2,218)	-
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method (Note 4)	12,897	-	(1,961)	-
Income tax relating to items that will not be reclassified (Notes 4 and 28)	<u>183</u>	<u>-</u>	<u>401</u>	<u>-</u>
	<u>22,292</u>	<u>-</u>	<u>(5,783)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 25)	(\$ 1,493)	-	(\$ 3,874)	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income (Notes 4, 9 and 25)	4,044	-	(3,217)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method (Notes 4 and 21)	1	-	(16)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 28)	<u>299</u>	<u>-</u>	<u>775</u>	<u>-</u>
	<u>2,851</u>	<u>-</u>	<u>(6,332)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>25,143</u>	<u>-</u>	<u>(12,115)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 561,159</u>	<u>2</u>	<u>\$ 457,540</u>	<u>2</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 2.99</u>		<u>\$ 2.62</u>	
Diluted	<u>\$ 2.73</u>		<u>\$ 2.60</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Issued Capital		Retained Earnings			Other Equity		Total Equity	
	Shares (Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operation		Unrealized Gain on financial Assets at Fair Value Through Other Comprehensive Income
BALANCE AT JANUARY 1, 2019	179,045	\$ 1,790,452	\$ 657,809	\$ 719,517	\$ 4,544	\$ 523,543	(\$ 910)	(\$ 3,879)	\$ 3,691,076
Appropriation of the 2018 earnings									
Legal reserve	-	-	-	52,197	-	(52,197)	-	-	-
Special reserve	-	-	-	-	245	(245)	-	-	-
Cash dividends	-	-	-	-	-	(470,889)	-	-	(470,889)
Changes in capital surplus :									
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	(119)	-	-	-	-	-	(119)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	93	-	(93)	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	469,655	-	-	469,655
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(1,792)	(3,115)	(7,208)	(12,115)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	467,863	(3,115)	(7,208)	457,540
BALANCE AT DECEMBER 31, 2019	179,045	1,790,452	657,690	771,714	4,789	468,168	(4,025)	(11,180)	3,677,608
Appropriation of the 2019 earnings									
Legal reserve	-	-	-	46,796	-	(46,796)	-	-	-
Special reserve	-	-	-	-	10,415	(10,415)	-	-	-
Cash dividends	-	-	-	-	-	(408,223)	-	-	(408,223)
Convertible bonds issued by the Company recognized as equity	81	808	1,708	-	-	-	-	-	2,516
Changes in capital surplus :									
Recognition of equity components due to the issuance of convertible corporate bonds-occurred by subscription right	-	-	53,332	-	-	-	-	-	53,332
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	4,073	-	(4,073)	-
Net profit for the year ended December 31, 2020	-	-	-	-	-	536,016	-	-	536,016
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(913)	(1,193)	27,249	25,143
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	535,103	(1,193)	27,249	561,159
BALANCE AT DECEMBER 31, 2020	179,126	\$ 1,791,260	\$ 712,730	\$ 818,510	\$ 15,204	\$ 541,910	(\$ 5,218)	\$ 11,996	\$ 3,886,392

The accompanying notes are an integral part of the financial statements.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

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	\$ 629,599	\$ 553,784
Adjustments for:		
Expected loss on credit impairment	(3,300)	5,038
Depreciation expenses	17,720	16,934
Amortization expenses	663	1,100
Finance costs	68,809	103,670
Share of profit (loss) of associates accounted for using the equity method	(154,253)	(138,331)
Interest income	(1,363)	(2,596)
Dividend income	(1,244)	(1,972)
Impairment loss (gain) on inventories	(9,927)	29,000
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(1,341)	1,104
Unrealized loss (gain) on the transactions with subsidiaries and associates	-	211
Realized loss (gain) on the transactions with subsidiaries and associates	(689)	-
Net (gain) loss on foreign currency exchange	(8,213)	(20,234)
Loss on disposal of scrap inventories and inventory physical count	1,721	1,623
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(4,057)	(1,078)
Notes receivable	(4,426)	(3,715)
Account receivables	(998,611)	(427,323)
Account receivables from related parties	(465,122)	(484,026)
Other receivables	(73,671)	(304,974)
Other receivables from related parties	-	7,074
Inventories	396,877	(123,896)
Other current assets	3,275	3,374
Contract liabilities	(16,650)	991
Notes payable	5	(233)
Account payables	861,441	103,040
Account payables to related parties	(1,431)	6,914
Other payables	47,032	25,727
Other payables to related parties	5,842	(5,620)
Net defined benefit liabilities	(567)	(443)
Other current liabilities	86,238	92,851
Cash generated from (used in) operations	374,357	(562,006)
Interest paid	(66,110)	(94,580)
Income tax paid	(19,263)	(196,543)
Net cash generated from (used in) operating activities	<u>288,984</u>	<u>(853,129)</u>

(Continued)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(\$ 7,415)	(\$ 18,771)
Proceeds from disposal of financial assets at fair value through other comprehensive income	274	1,740
Acquisition of financial assets at amortized cost	(2,400)	(2,423)
Proceeds from disposal of financial assets at amortized cost	2,534	-
Interest received	1,363	2,596
Dividends received from subsidiaries and associates	126,641	113,974
Other dividends received	1,244	1,972
Acquiring part of the equity of the subsidiary	(54,000)	(226)
Proceeds from capital reduction of investments accounted for using equity method	500	1,951
Acquisition of property, plant and equipment	(3,693)	(2,747)
Increase in prepayments for business facilities	(285)	-
Acquisition of intangible assets	-	(932)
Increase in refundable deposits	(248,315)	-
Decrease in refundable deposits	<u>-</u>	<u>3,240</u>
Net cash used in investing activities	<u>(183,552)</u>	<u>100,374</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	(228,414)	746,238
Decrease in short-term notes and bills payable	(20,000)	140,000
Issuance of corporate bond	1,015,887	-
Repayments of long-term debt	(18,828)	(26,739)
Increase in guarantee deposits received	224,840	47,356
Payments of lease liabilities	(8,745)	(7,993)
Payments of cash dividends	<u>(408,223)</u>	<u>(470,889)</u>
Net cash generated from financing activities	<u>556,517</u>	<u>427,973</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	661,949	(324,782)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>724,897</u>	<u>1,049,679</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,386,846</u>	<u>\$ 724,897</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. GENERAL INFORMATION

Promate Electronic Co., Ltd. (the “Company”) is a listed company that was established in May, 1986. The Company is mainly engaged in the distribution and sales of electronic/electrical components, sales of computer software and electrical products and sales of electronic/electrical components.

The Company conducted an IPO on the Taipei Exchange (TPEX) on September, 2002, and its common shares were listed on the Taiwan Stock Exchange (TWSE) since May, 2004.

As of August 1st, 2013, the Company is pleased to announce that this business unit will form a fully owned subsidiary under the name Promate Solutions Corporation.

After carefully evaluating the opportunities of the business unit as well as Promate Electronic as a whole, the Board of Directors concluded that creating a separate entity is the next logical step for the business. As two separate entities, both Promate Electronic and Promate Solutions will have the flexibility and agility necessary to pursue focused avenues of growth. Most importantly, this will enable each entity to more effectively service customers and deliver shareholder value.

The functional currency of the Company is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 23, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by Financial Supervisory Commission (FSC).

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRs endorsed by FSC for application starting from 2021:

New IFRSs	Effect Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to

provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period

beginning on or after January 1, 2023.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate, i.e., the Company’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that result in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Company will restate its comparative information when it initially applies the aforementioned amendments.

4) Amendments to IAS 1 "Disclosure of Accounting Policies"

This amendment clearly stipulates that the consolidated company shall determine the material accounting policy information to be disclosed according to the definition of materiality. Accounting policy information is material to the extent that it can reasonably be expected to influence the decisions made by major users of the financial statements for general purpose on which the financial statements are based. This amendment clarifies:

- Accounting policy information relating to non-material transactions, other matters or circumstances is non-material and the consolidated company is not required to disclose such information.

- The consolidated company may judge the relevant accounting policy information to be material due to the nature of the transaction, other matters or circumstances, even if the amount is not material.
- Not all accounting policy information relating to material transactions, other matters or circumstances is material.

In addition, the amendment provides an example of how accounting policy information may be material if it is related to material transactions, other matters or circumstances and if:

- (1) The consolidated company changes its accounting policies during the reporting period and the change results in a material change in the financial statement information;
 - (2) The consolidated company selects its applicable accounting policies from the options permitted by the Standards;
 - (3) Accounting policies are established by the consolidated company in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" due to the lack of specific standards;
 - (4) The consolidated company discloses relevant accounting policies determined by the application of material judgments or assumptions; or
 - (5) There are complex accounting requirements and users of financial statements rely on such information in order to understand such material transactions, other matters or circumstances.
- 5) Amendments to IAS 8 "Definition of Accounting Estimates"

This amendment clearly stipulates that the accounting estimates refer to the monetary amounts in financial statements that are affected by measurement uncertainties. When the accounting policies apply to the consolidated company, the financial statement items may have to be measured in terms of monetary amounts that cannot be directly observed but must be estimated. Measuring techniques and input values are used to establish the accounting estimates for this purpose. If the impact of change in the measurement technology or input value on accounting estimates is not correction of previous errors, it is the change in accounting estimates.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held for the purpose of trading;
- 2) Liabilities due to be settled within 12 months, and
- 3) Liabilities for which the entity does not have the right at the end of the reporting period to defer settlement beyond 12 months.

Assets and liabilities that are not classified as current are classified as non-current

d. Business combinations

Where the consideration the Company transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity and included in capital surplus - options is not remeasured at the end of the subsequent reporting period and its subsequent settlement is accounted for within equity and transferred to capital surplus - share premiums. Other contingent consideration is remeasured at fair value at the end of subsequent reporting period with any gain or loss recognized in profit or loss.

e. Foreign Currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated

at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- 1) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and,
- 2) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the

equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

h. Investments in associates

An associate is an entity over which the Company has significant influence.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new

shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a Company entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent that interests in the associate are not related to the Company.

i. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

1. 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 are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29: Financial Instruments.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivable and notes receivable (including associates) at amortized cost, contract assets and other trade receivables (including associates), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits held for the purpose of meeting short-term cash commitments, highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii. Investments in debt instruments designated at FVTOC

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Investments in debt instruments designated at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including cash and cash equivalents, trade receivable and notes receivable (including related party) at amortized cost, contract assets and other trade receivables (including related party).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly

from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Convertible bonds

The component parts of compound financial instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

On initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate for similar non-convertible instruments. The amount is recognized as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be reclassified as capital surplus - additional paid-in capital. If the conversion option remains unexercised at maturity, the balance recognized in equity will be reclassified as capital surplus –share premiums..

Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranty

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

n. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance

obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods mainly comes from the distribution of electronic components, and the sale and manufacture of embedded control systems, medical displays, and application-specific display modules at the agreed prices stipulated in contracts, quotations or orders. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables and contract assets are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

o. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments

resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

The accounting treatment for other long-term employee benefits is the same as that of the defined benefit retirement plan, except that the relevant remeasurements are recognized as profit and loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The accounting policies, estimates, and basic assumptions adopted by the Company have been evaluated by the Company's management, and there are no major accounting judgments, estimates, and assumptions that are uncertain

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 1,219	\$ 596
Checking accounts and demand deposits	<u>1,385,627</u>	<u>724,301</u>
	<u>\$ 1,386,846</u>	<u>\$ 724,897</u>

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Demand deposits	0.001%~0.5%	0.001%~0.43%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTP:		
Non-derivative financial assets	\$ 6,922	\$ 1,524
Redemption option on convertible bonds	<u>100</u>	<u>-</u>
	<u>\$ 7,022</u>	<u>\$ 1,524</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Investments in equity instruments	<u>\$ 34,826</u>	<u>\$ 17,558</u>
<u>Non-current</u>		
Domestic investments Listed shares		
ITE Tech. Inc.	\$ -	\$ 195
HIGGSTEC Inc.	32,428	15,418
Unlisted shares		
UPI Semiconductor Corp.	1,009	1,009
Medimaging Integrated Solution Inc.	951	936
Tricorntech Corp.	<u>438</u>	<u>-</u>
	<u>\$ 34,826</u>	<u>\$ 17,558</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ 2,278	\$ 2,423
Less : Allowance for loss	<u>-</u>	<u>-</u>
	<u>\$ 2,278</u>	<u>\$ 2,423</u>

Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

At Amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Gross carrying amount	\$ 2,278	\$ 2,423
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	2,278	2,423
Fair value adjustment	<u>-</u>	<u>-</u>
	<u>\$ 2,278</u>	<u>\$ 2,423</u>

In order to minimize credit risk, the Company has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors. The Company's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Company considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The Company's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Losses</u>
Normal	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

At Amortized Cost

Category	Expected Loss Rate	Gross Carrying Amount	
		<u>December 31, 2020</u>	<u>March 31, 2020</u>
Normal	0%-0.01%	<u>\$ 2,278</u>	<u>\$ 2,423</u>

There was no change in the allowance for impairment loss of investments in debt instruments at amortized

cost for the year ended December 31, 2020 and 2019.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable		
At amortized cost		
Gross carrying amount	\$ 28,258	\$ 23,832
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 28,258</u>	<u>\$ 23,832</u>
From operation	<u>\$ 28,258</u>	<u>\$ 23,832</u>
<u>Accounts receivables</u>		
At amortized cost		
Gross carrying amount-unrelated parties	\$ 4,015,391	\$ 3,012,753
Gross carrying amount-related parties	1,293,440	828,304
Less: Allowance for impairment loss	(<u>21,264</u>)	(<u>24,567</u>)
	<u>\$ 5,287,567</u>	<u>\$ 3,816,490</u>
<u>Others receivables</u>		
Accounts receivables at FVTOCI	\$ 623,283	\$ 576,586
Tax refund receivables	71,529	49,926
Others	<u>10,503</u>	<u>5,132</u>
	<u>\$ 705,315</u>	<u>\$ 631,644</u>

Notes Receivable and Accounts Receivables

At amortized cost

The average credit period of the sales of goods was 90-150 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual accounts debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Company measures the loss allowance for all accounts receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivables and accounts receivable based on the Company's provision matrix.

December 31, 2020

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.00%~0.04%	0.54%~8.34%	10.46%~14.32%	18.75%~23.15%	22.22%~100%	
Gross carrying amount	\$ 4,718,918	\$ 552,535	\$ 54,505	\$ 2,786	\$ 8,345	\$ 5,337,089

Loss allowance (Lifetime ECL)	(994)	(10,598)	(1,378)	(59)	(8,235)	(21,264)
Amortized cost	<u>\$ 4,717,924</u>	<u>\$ 541,937</u>	<u>\$ 53,127</u>	<u>\$ 2,727</u>	<u>\$ 110</u>	<u>\$ 5,315,825</u>

December 31, 2019

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.06%~1.23%	0.72%~21.89%	13.92%~61.12%	28.64%~82.19%	36.89%~100%	
Gross carrying amount	\$ 3,541,029	\$ 259,455	\$ 50,588	\$ 4,250	\$ 9,567	\$ 3,864,889
Loss allowance (Lifetime ECL)	(6,218)	(5,129)	(3,635)	(426)	(9,159)	(24,567)
Amortized cost	<u>\$ 3,534,811</u>	<u>\$ 254,326</u>	<u>\$ 46,953</u>	<u>\$ 3,824</u>	<u>\$ 408</u>	<u>\$ 3,840,322</u>

The movements of the loss allowance of accounts receivables and overdue receivables were as follows:

	<u>For the Years Ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Trade Receivables</u>	<u>Overdue Receivables</u>	<u>Trade Receivables</u>	<u>Overdue Receivables</u>
Balance at January 1	\$ 24,567	\$ 13,939	\$ 19,529	\$ 13,939
Add: Amount of expected loss recognized	-	-	5,038	-
Less: Amount of expected loss reversed	(3,300)	-	-	-
Classified to overdue receivable	(3)	3	-	-
Balance on December 31	<u>\$ 21,264</u>	<u>\$ 13,942</u>	<u>\$ 24,567</u>	<u>\$ 13,939</u>

Compared to the balance on January 1, 2020 and 2019, the gross carrying amount of accounts receivables on December 31, 2020 and 2019 increased \$1,472,200 thousand and increased \$911,846 thousand. Due to increase in projected credit loss, the loss allowance decreased \$3,303 thousand and increased \$5,038 thousand.

12. INVENTORIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Merchandise inventories	<u>\$ 2,038,242</u>	<u>\$ 2,426,913</u>

Operating costs summarized by nature are as below.

	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Cost of Goods Sold	\$ 23,630,449	\$ 19,804,478
Impairment (Price recovery)	(9,927)	29,000
Inventory Scrap	1,721	1,623
	<u>\$ 23,622,243</u>	<u>\$ 19,835,101</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in subsidiaries	\$ 883,790	\$ 786,536
Investments in associates	645	4,693
	<u>\$ 884,435</u>	<u>\$ 791,229</u>

a. Investments in subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Promate Solutions Corporation.	\$ 727,839	\$ 706,167
PROMATE INTERNATIONAL CO., LTD.	59,306	39,771
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	33,613	30,886
PROMATE ELECTRONICS COMPANY USA	8,661	9,712
CT Continental Corporation	<u>54,371</u>	<u>-</u>
	<u>\$ 883,790</u>	<u>\$ 786,536</u>

**Proportion of Ownership and
Voting Rights**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Promate Solutions Corporation.	66.21%	66.21%
PROMATE INTERNATIONAL CO., LTD.	100%	100%
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	100%	100%
PROMATE ELECTRONICS COMPANY USA	100%	100%
CT Continental Corporation	90%	-

Refer to Note 28 to the Company's consolidated financial statements for the year ended December 31, 2020 for the disclosures of the Company's acquisitions of CT Continental Corporation.

Refer to Note 37 and Table 6 for the details of the subsidiaries indirectly held by the Company.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 was based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Associates that are not individually material</u>		
Prosperity Venture Capital I, Limited	<u>\$ 645</u>	<u>\$ 4,693</u>

**Proportion of Ownership and Voting Rights
Held by the Company**

Name of Associate	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prosperity Venture Capital I, Limited	21.62%	21.62%

Refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive loss of those investments were calculated based on the financial statements that have not been audited. Management believes that there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of investees that have not been audited

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purpose.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total assets	<u>\$ 2,848</u>	<u>\$ 21,542</u>
Liability	<u>(\$ 25)</u>	<u>\$ -</u>
Equity	<u>\$ 2,823</u>	<u>\$ 21,542</u>
Proportion of the Company's ownership	21.62%	21.62%
Equity attributable to the Company	\$ 610	\$ 4,658
Difference between previous year's investment cost and equity value	<u>35</u>	<u>35</u>
Carry amount	<u>\$ 645</u>	<u>\$ 4,693</u>

	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Revenue	<u>\$ -</u>	<u>\$ -</u>
Net loss for the period	<u>(\$ 15,954)</u>	<u>(\$ 1,389)</u>
Dividend distribution	<u>\$ 500</u>	<u>\$ -</u>

14. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets used by the Company	<u>\$ 317,389</u>	<u>\$ 322,945</u>
Assets leased under operating leases	<u>-</u>	<u>-</u>
	<u>\$ 317,389</u>	<u>\$ 322,945</u>

Assets used by the Company

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Miscellaneous Equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 205,987	\$ 158,942	\$ 10,775	\$ 10,006	\$ 18,697	\$ 13,419	\$ 417,826
Additions	-	-	-	72	3,179	442	3,693
Disposals	-	-	-	-	(165)	(314)	(479)
Reclassifications	-	-	-	-	285	-	285
Balance at December 31, 2020	<u>\$ 205,987</u>	<u>\$ 158,942</u>	<u>\$ 10,775</u>	<u>\$ 10,078</u>	<u>\$ 21,996</u>	<u>\$ 13,547</u>	<u>\$ 421,325</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 51,549	\$ 10,251	\$ 9,066	\$ 14,663	\$ 9,352	\$ 94,881
Depreciation expenses	-	5,170	242	260	1,685	2,177	9,534
Disposals	-	-	-	-	(165)	(314)	(479)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 56,719</u>	<u>\$ 10,493</u>	<u>\$ 9,326</u>	<u>\$ 16,183</u>	<u>\$ 11,215</u>	<u>\$ 103,936</u>
Carrying amounts at December 31, 2020	<u>\$ 205,987</u>	<u>\$ 107,393</u>	<u>\$ 524</u>	<u>\$ 940</u>	<u>\$ 4,034</u>	<u>\$ 4,067</u>	<u>\$ 322,945</u>
Carrying amounts at December 31, 2020	<u>\$ 205,987</u>	<u>\$ 102,223</u>	<u>\$ 282</u>	<u>\$ 752</u>	<u>\$ 5,813</u>	<u>\$ 2,332</u>	<u>\$ 317,389</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 205,987	\$ 158,942	\$ 10,952	\$ 10,006	\$ 17,025	\$ 12,344	\$ 415,256
Additions	-	-	-	-	1,672	1,075	2,747
Disposals	-	-	(177)	-	-	-	(177)
Balance at December 31, 2019	<u>\$ 205,987</u>	<u>\$ 158,942</u>	<u>\$ 10,775</u>	<u>\$ 10,006</u>	<u>\$ 18,697</u>	<u>\$ 13,419</u>	<u>\$ 417,826</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 46,379	\$ 10,066	\$ 8,319	\$ 13,665	\$ 7,104	\$ 85,533
Depreciation expenses	-	5,170	362	747	998	2,248	9,525
Disposals	-	-	(177)	-	-	-	(177)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 51,549</u>	<u>\$ 10,251</u>	<u>\$ 9,066</u>	<u>\$ 14,663</u>	<u>\$ 9,352</u>	<u>\$ 94,881</u>
Carrying amounts at December 31, 2018	<u>\$ 205,987</u>	<u>\$ 112,563</u>	<u>\$ 886</u>	<u>\$ 1,687</u>	<u>\$ 3,360</u>	<u>\$ 5,240</u>	<u>\$ 320,723</u>
Carrying amounts at December 31, 2019	<u>\$ 205,987</u>	<u>\$ 107,393</u>	<u>\$ 524</u>	<u>\$ 940</u>	<u>\$ 4,034</u>	<u>\$ 4,067</u>	<u>\$ 322,945</u>

There was no indication of an impairment loss; therefore, the Company did not perform impairment assessment during the year ended December 31, 2020 and 2019.

The above items of property, plant and equipment are depreciated on a straight-line basis over the

estimated useful lives as follows:

Buildings- Office in Taiwan	61 years
Buildings- Plant in Taiwan	25-30 years
Machinery Equipment	3-10 years
Transportation Equipment	5 years
Office Equipment	3-10 years
Miscellaneous Equipment	3-20 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 36.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts		
Buildings	\$ 19,566	\$ 25,918
Transportation equipment	<u>1,871</u>	<u>3,705</u>
	<u>\$ 21,437</u>	<u>\$ 29,623</u>
	For the Year ended December 31	
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 3,063</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 6,352	\$ 6,352
Transportation equipment	<u>1,834</u>	<u>1,057</u>
	<u>\$ 8,186</u>	<u>\$ 7,409</u>

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amounts</u>		
Current	<u>\$ 7,507</u>	<u>\$ 8,170</u>
Non-current	<u>\$ 13,887</u>	<u>\$ 21,167</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	3%	3%
Transportation equipment	5.69%	5.69%

c. Material lease-in activities and terms

The Company leased a number of cars for use by business personnel or warehouse personnel in a period of 3 to 5 years. The lease contracts for these cars do not contain terms for the right of renewal or the right of purchase.

The Company also leased certain buildings for use as plant and office in a period of 5 years.

The lease contracts for offices located in Taiwan specify that the lease payments will be adjusted by customer price index each year. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Expenses relating to low-value asset leases	\$ <u>1,310</u>	\$ <u>2,075</u>
Total cash outflow for lease	(\$ <u>10,055</u>)	(\$ <u>10,068</u>)

The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 8,847
Disposals	(<u>4,322</u>)
Balance on December 31, 2020	<u>4,525</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	(5,535)
Amortization expenses	(663)
Disposals	<u>4,322</u>
Balance on December 31, 2020	(<u>1,876</u>)
Carrying amount on December 31, 2020	<u>\$ 2,649</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 7,915
Additions	<u>932</u>
Balance on December 31, 2019	<u>8,847</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	(4,435)
Amortization expenses	(<u>1,100</u>)
Balance on December 31, 2019	(<u>5,535</u>)
Carrying amount on December 31, 2019	<u>\$ 3,312</u>

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows

Computer Software 3-10 years

	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Amortization expenses summarized by function:		
Operating costs	\$ -	\$ -
Selling and marketing expenses	-	-
General and administrative expenses	663	1,100
Research and development expenses	-	-
	<u>\$ 663</u>	<u>\$ 1,100</u>

17. OTHER ASSETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepayments	\$ 4,456	\$ 7,731
<u>Non-current</u>		
Refundable deposits	\$ 401,138	\$ 152,823
Overdue receivables (Note 11)	13,942	13,939
Allowance for impairment loss - Overdue receivables (Note 11)	(13,942)	(13,939)
	<u>\$ 401,138</u>	<u>\$ 152,823</u>
<u>Refundable deposits</u>		

Refundable deposits are mainly paid to suppliers as performance bond.

18. BORROWINGS

a. Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Secured borrowings (Note 36)		
Bank loans (1)	\$ 2,060,000	\$ 1,735,000
Bank loans - letters of credit (2)	345,108	906,746
	<u>\$ 2,405,108</u>	<u>\$ 2,641,746</u>

1) The effective weighted average interest rates for bank loans ranged from 0.6035%-0.9371% and 0.85%~1.129% per annum as of December 31, 2020 and December 31,2019, respectively.

2) The effective weighted average interest rate for letters of credit loans was 0.50%-0.8682% and 1.09%-2.84% per annum as of December 31, 2020 and December 31, 2019, respectively.

b. Short-term bills payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper	\$ 190,000	\$ 210,000
Less: Unamortized discount on bills payable	-	-
	<u>\$ 190,000</u>	<u>\$ 210,000</u>

The interest rates on the commercial paper range from 0.908%~0.958% and 0.99% ~1.008% as of December 31, 2020 and 2019 respectively.

c. Long-term borrowings s

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank loans	\$ -	\$ 18,828
Less: Current portion	-	(18,828)
Long-term borrowing	<u>\$ -</u>	<u>\$ -</u>

The weighted average effective interest rate of the bank borrowings secured by the Company's freehold land and buildings (refer to Note 36) were 1.81% per annum as of September 30, 2020, and December 31, 2019 respectively, and the principal and interests will be repayable monthly until September 30, 2020.

19. Convertible Bond

	December 31, 2020
Domestic unsecured convertible bonds	\$ 997,400
Less : Discounts on bonds payable	(30,116)
	<u>\$ 967,284</u>

Unsecured Domestic Convertible Bonds - Third Issue

On June 8, 2020, the Company issued 10 thousand NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$1,000,000 thousand. In addition, the bond is publicly underwritten by bidding auction, the issue price is \$101, and the actual total issue amount is \$1,020,987 thousand. The annual interest rate of the issuance coupon is 0%, the issuance period is three years, and the maturity date is June 8, 2023.

The major terms are as follows:

- a. In the period of circulation from three months after the issuance of the convertible corporate bonds to forty business days before the maturity of the bonds, the Company may notify the bondholders under the conversion measures and redeem all bonds in cash at the nominal amount when the agreed conditions are met.
- b. When this convertible bond expires, it will be repaid in cash based on the denomination of the bond.
- c. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. The conversion price at issuance was NT\$ 34.50, and the conversion price has been adjusted to \$32.16 as of December 31, 2020.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.28% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,100 thousand)	\$ 1,015,887
Equity component (less transaction costs allocated to the equity component of \$255 thousand)	(53,332)
Redemption right	<u>100</u>
Liability component on the date of issuance (less transaction costs allocated to the liability component of \$4,845 thousand)	962,655
Conversion of corporate bond payable into common shares	(2,516)
Interest charged at an effective interest rate of 1.28%	<u>7,145</u>
Liability component on December 31, 2020	<u>\$ 967,284</u>

20. NOTES AND ACCOUNTS PAYABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes payable</u>		
Non-trade	<u>\$ 24</u>	<u>\$ 19</u>
<u>Accounts payable</u>		
Non-trade	<u>\$ 2,584,169</u>	<u>\$ 1,722,728</u>
<u>Accounts payable - related parties</u>		
Non-trade	<u>\$ 16,413</u>	<u>\$ 17,844</u>

The average credit period for purchases of certain goods was 30-120 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER LIABILITIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other payables		
Accrued commissions	\$ 14,261	\$ 24,214
Payables for salaries or bonuses	50,606	32,342
Payables for compensation of employees and remuneration of directors	62,000	54,900
Payables for annual leave	10,100	9,500
Accrued freights	44,892	32,586
Payables for dividends	519	519
Others	<u>110,708</u>	<u>91,398</u>
	<u>\$ 293,086</u>	<u>\$ 245,459</u>
Contract liability	<u>\$ 39,593</u>	<u>\$ 56,243</u>
Others		
Refund liability (1)	\$ 291,379	\$ 218,356
Sales revenue received in advance	294	294
Others	<u>16,184</u>	<u>2,970</u>
	<u>\$ 307,857</u>	<u>\$ 221,620</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits(2)	<u>\$ 284,800</u>	<u>\$ 59,960</u>

- 1) Refund liabilities is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the reporting period. Refund liabilities is recognized as a reduction of operating income in the periods in which the related goods are sold.
- 2) Guarantee deposits
Guarantee deposits are mainly collected from customers.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company have pension plans under the Labor Pension Act (LPA), which are state-managed defined contribution plans. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.#

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the Republic of China (ROC). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 54,425	\$ 52,320
Fair value of plan assets	(21,910)	(20,153)
Net defined benefit liabilities (assets)	<u>\$ 32,515</u>	<u>\$ 32,167</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance on January 1, 2019	<u>\$ 48,988</u>	(\$ 18,383)	<u>\$ 30,605</u>
Service cost			
Service cost of current period	169	-	169
Net interest expense (income)	<u>551</u>	(213)	<u>338</u>
Recognized in loss (profit)	<u>720</u>	(213)	<u>507</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	(607)	(607)
Actuarial loss – change in demographic assumptions	275	-	275
Actuarial loss – changes in financial assumptions	2,046	-	2,046
Actuarial loss – experience adjustments	<u>291</u>	<u>-</u>	<u>291</u>
Recognized in other comprehensive loss (gain)	<u>2,612</u>	(607)	<u>2,005</u>
Contributions from employer	<u>-</u>	(950)	(950)
Balance on December 31, 2019	<u>52,320</u>	(20,153)	<u>32,167</u>
Service cost			
Service cost of current period	150	-	150
Net interest expense (income)	<u>393</u>	(155)	<u>238</u>
Recognized in loss (profit)	<u>543</u>	(155)	<u>388</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	(647)	(647)
Actuarial loss – change in demographic assumptions	467	-	467
Actuarial loss – changes in financial assumptions	1,372	-	1,372
Actuarial loss – experience adjustments	(277)	<u>-</u>	(277)
Recognized in other comprehensive loss (gain)	<u>1,562</u>	(647)	<u>915</u>
Contributions from employer	<u>-</u>	(955)	(955)
Balance on December 31, 2020	<u>\$ 54,425</u>	(\$ 21,910)	<u>\$ 32,515</u>

The amount recognized as profit or loss for the defined benefit plan is summarized by function as follows:

	For the Year ended December 31	
	<u>2020</u>	<u>2019</u>
Operating cost	\$ -	\$ -
Selling and marketing expenses	294	386
General and administrative expenses	94	121
Research & development expense	<u>-</u>	<u>-</u>
	<u>\$ 388</u>	<u>\$ 507</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2020	December 31, 2019
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2.00%	2.00%
Death rate	According to the fifth mortality experience table of Taiwan life insurance industry	According to the fifth mortality experience table of Taiwan life insurance industry
Disability rate	According to 10% of expected mortality rate	According to 10% of expected mortality rate

Employee turnover rate

Based on the empirical data of consolidated company on the turnover rate of the Company in the past and the future trend, the revised data were adopted.

The Company

Age	2020	2019
20 years old ~ 30 years old	7%~10%	9%~12.5%
35 years old ~ 60 years old	1%~4%	2%~6%

The turnover rate under 20 years old shall be calculated as 20 years old; the turnover rate of each age Company shall be calculated in the way of internal difference.

Voluntary retirement rate

Assuming that Z is the earliest retirement age for individual employees

Age	December 31, 2020	December 31, 2019
Z	15%	15%
Z + 1 ~ 64	3%	3%
65	100%	100%

However, the voluntary retirement rate of individual employees shall not be less than 1.5 times of the turnover rate for the same age adopted by the Company.

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate(s)		
0.25% increase	(\$ 1,377)	(\$ 1,379)
0.25% decrease	<u>\$ 1,430</u>	<u>\$ 1,435</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,385</u>	<u>\$ 1,393</u>
0.25% decrease	(\$ 1,341)	(\$ 1,346)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
The expected contributions to the plan for the next year	<u>\$ 977</u>	<u>\$ 971</u>
The average duration of the defined benefit obligation	10.2	10.7

23. EQUITY

a. Share capital

Common stock

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>179,126</u>	<u>179,045</u>
Shares issued	<u>\$ 1,791,260</u>	<u>\$ 1,790,452</u>

Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends

Of the Company's authorized shares, 10,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 291,960	\$ 291,960
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal of acquisition	45,604	45,604
Conversion of employee stock options	66,208	66,208
Conversion of bonds	438,152	436,444
Less: transfer to capital	(267,199)	(267,199)
Less: cash dividends paid	(73,408)	(73,408)
Less: Treasury stock cancellation	(9,461)	(9,461)
	<u>491,856</u>	<u>490,148</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	<u>166,292</u>	<u>166,292</u>
<u>May not be used for any purpose</u>	1,250	1,250
Employee share options	<u>53,332</u>	<u>-</u>
Share options on Convertible Bond	<u>54,582</u>	<u>1,250</u>
	<u>\$ 712,730</u>	<u>\$ 657,690</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
 - 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.
- c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 25, h.

The Company's dividend policy is formulated according to the Company's capital budget, mid- and long-term operational planning and financial status, as well as by reference to the general level of dividends in the industry and capital markets as the basis for dividend policy. Related earnings can be distributed in the form of stock dividends or cash dividends. However, the percentage of cash dividends shall not be less than 20% of the total dividends. The percentage of cash dividends will be increased when future earnings and funds are more abundant.

A legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018, which have been approved in the shareholders' meetings on June 15, 2020 and June 14, 2019, respectively, were as follows:

	<u>2019</u>	<u>2018</u>
Legal reserve	<u>\$ 46,796</u>	<u>\$ 52,197</u>
Special reserve	<u>\$ 10,415</u>	<u>\$ 245</u>
Cash dividends	<u>\$ 408,223</u>	<u>\$ 470,889</u>
Cash dividends per share (NT\$)	<u>\$ 2.28</u>	<u>\$ 2.63</u>

The appropriation of earnings for 2020 was proposed by the Company's board of directors on March 24, 2021. The appropriation and dividends per share were as follows:

Legal reserve	\$ 53,918
Reversal of special reserve	(15,204)
Cash dividends	501,553
Cash dividends per share (NT\$)	2.80

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 9, 2021.

d. Special reserves

	For the Year ended December 31	
	2020	2019
Beginning on January 1	\$ 4,789	\$ 4,544
Appropriations of special reserves		
In respect of debits to other equity items	<u>10,415</u>	<u>245</u>
Balance on December 31	<u>\$ 15,204</u>	<u>\$ 4,789</u>

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year ended December 31	
	2020	2019
Balance at January 1	(\$ 4,025)	(\$ 910)
Recognized during the period		
Exchange differences arising on translating the financial statements of foreign operations	(<u>1,193</u>)	(<u>3,115</u>)
Other comprehensive income recognized for the period	(<u>1,193</u>)	(<u>3,115</u>)
Balance on December 31	<u>(\$ 5,218)</u>	<u>(\$ 4,025)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Year ended December 31	
	2020	2019
Balance at January 1	(\$ 11,180)	(\$ 3,879)
Recognized for the period		
Unrealized gain (loss) - equity instruments	23,205	(3,991)
Net remeasurement of loss allowance	<u>4,044</u>	<u>(3,217)</u>
Other comprehensive income recognized for the period	<u>27,249</u>	<u>(7,208)</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(<u>4,073</u>)	(<u>93</u>)
Balance on December 31	<u>\$ 11,996</u>	<u>(\$ 11,180)</u>

24. REVENUE

	For the Year ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	\$ 25,055,021	\$ 21,053,267
Revenue from NRE service	<u>624</u>	<u>2,454</u>
	<u>25,055,645</u>	<u>21,055,721</u>
Other operating income		
Service revenue	<u>5,642</u>	<u>5,684</u>
	<u>\$ 25,061,287</u>	<u>\$ 21,061,405</u>

a. Revenue from contracts with customers

Revenue from the sale of goods

Revenue from the sale of goods mainly comes from the distribution of electronic components. Goods are categorized into application-specific and LCD display products, linear/distributed components, application-specific and image processing ICs. The Company sells goods at the agreed prices stipulated in contracts, quotations or orders.

Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

b. Contract balances

	December 31, 2020	December 31, 2019
Notes and accounts receivables (Note 11)	<u>\$ 5,315,825</u>	<u>\$ 3,840,322</u>
Contract liabilities - current (Note 21)		
Sale of goods	<u>\$ 39,593</u>	<u>\$ 56,243</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

c. Disaggregation of revenue

For the year ended December 31, 2020

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
<u>Types of goods or services</u>						
Revenue from the sale of goods	<u>\$ 3,883,305</u>	<u>\$ 11,972,090</u>	<u>\$ 5,632,695</u>	<u>\$ 1,928,084</u>	<u>\$ 1,645,113</u>	<u>\$ 25,061,287</u>

For the year ended December 31, 2019

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
<u>Types of goods or services</u>						
Revenue from the sale of goods	<u>\$ 4,171,836</u>	<u>\$ 9,438,004</u>	<u>\$ 4,693,634</u>	<u>\$ 1,601,678</u>	<u>\$ 1,156,253</u>	<u>\$ 21,061,405</u>

25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Interest income

	For the Year ended December 31	
	2020	2019
Interest income		
Bank deposits	\$ 1,315	\$ 2,586
Financial assets at amortized cost	27	-
Imputed interest of deposit	21	10
	<u>\$ 1,363</u>	<u>\$ 2,596</u>

b. Other income

	For the Year ended December 31	
	2020	2019
Rental income		
Other operating lease	\$ 11,236	\$ 11,308
Dividend income		
Financial assets at FVTPL	129	217
Financial assets at FVTOCI	1,115	1,755
	<u>1,244</u>	<u>1,972</u>
	2,580	2,580
IT service revenue	1,953	1,501
Directors and supervisors' remuneration	<u>\$ 17,013</u>	<u>\$ 17,361</u>

c. Other gains and losses

	For the Year ended December 31	
	2020	2019
Gain (loss) on financial instruments		
Mandatorily measured at FVTPL	\$ 1,341	(\$ 1,104)
Net foreign exchange gains (losses)	(201,121)	(45,202)
Bank charge	(14,031)	(11,798)
Others	1,578	1,214
	<u>(\$ 212,233)</u>	<u>(\$ 56,890)</u>

There was no interest capitalization in the Company for the three months ended March 31, 2021 and 2020.

d. Finance costs

	For the Year ended December 31	
	2020	2019
Interest on bank loans	\$ 60,862	\$ 102,830
Interest on convertible corporate bond	7,145	-
Interest on lease liabilities	802	840
	<u>\$ 68,809</u>	<u>\$ 103,670</u>

e. Impairment losses recognized

	For the Year ended December 31	
	2020	2019
Trade receivables	<u>\$ 3,300</u>	(\$ 5,038)
Inventories (included in operating costs)	<u>\$ 9,927</u>	(\$ 29,000)

f. Depreciation and amortization

	For the Year ended December 31	
	2020	2019
An analysis of deprecation by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>17,720</u>	<u>16,934</u>
	<u>\$ 17,720</u>	<u>\$ 16,934</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>663</u>	<u>1,100</u>
	<u>\$ 663</u>	<u>\$ 1,100</u>

g. Employee benefits expense

	For the Year ended December 31	
	2020	2019
Short-term benefits	<u>\$ 260,381</u>	<u>\$ 220,904</u>
Post-employment benefits		
Defined contribution plans	6,912	6,610
Defined benefit plans (see Note 24)	<u>388</u>	<u>507</u>
	<u>7,300</u>	<u>7,117</u>
Other employee benefits	<u>22,955</u>	<u>17,415</u>
Total employee benefits expense	<u>\$ 290,636</u>	<u>\$ 245,436</u>
An analysis of employee benefits expense by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>290,636</u>	<u>245,436</u>
	<u>\$ 290,636</u>	<u>\$ 245,436</u>

h. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at the rates 7.5%-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

Employees' compensation and the remuneration of directors for the year ended December 31, 2020 and 2019 were approved by the Board of Directors on March 24, 2021 and March 17, 2020, respectively, and are as follows:

Accrual rate

	For the Year ended December 31	
	2020	2019
Employees' compensation	7.5%	7.5%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year ended December 31	
	2020	2019
Employees' compensation	\$ 52,000	\$ 45,700
Remuneration of directors	10,500	9,900

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

i. Gain or loss on foreign currency exchange

	For the Year ended December 31	
	2020	2019
Foreign exchange gains	\$ 821,691	\$ 1,201,733
Foreign exchange losses	(1,022,812)	(1,246,935)
Net foreign exchange gains and losses	<u>(\$ 201,121)</u>	<u>(\$ 45,202)</u>

26. INCOME TAXES RELATING TO CONTINUING

a. Income tax recognized in profit or loss

Major components of tax expense (income) recognized in profit or loss are as follows:

	For the Year ended December 31	
	2020	2019
Current tax		
In respect of the current period	\$ 105,744	\$ 44,330
Income tax on unappropriated earnings	646	-
Adjustment for prior years	(5,142)	878
	101,248	45,208
Deferred tax		
In respect of the current period	(7,665)	38,921
Income tax expense recognized in profit or loss	<u>\$ 93,583</u>	<u>\$ 84,129</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year ended December 31	
	2020	2019
Income before income tax	<u>\$ 629,599</u>	<u>\$ 553,784</u>
Income tax expense calculated at the statutory rate	\$ 125,919	\$ 110,757
Non-deductible tax loss	-	24
Tax-exempt income	(27,840)	(27,530)
Surtax on undistributed retained earnings	646	-
Adjustments for prior year	(5,142)	878
Income tax expense recognized in profit or loss	<u>\$ 93,583</u>	<u>\$ 84,129</u>

b. Income tax expense recognized in other comprehensive income

	For the Year ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of current period		
Translating the financial statements of foreign operations	\$ 299	\$ 775
Actuarial profit and loss of defined benefit plans	<u>183</u>	<u>401</u>
	<u>\$ 482</u>	<u>\$ 1,176</u>

c. Current tax assets and liabilities

	For the Year ended December 31	
	2020	2019
<u>Current tax assets</u>		
Tax refund receivable	<u>\$ -</u>	<u>\$ 31,548</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 50,437</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax liabilities</u>				
<u>Temporary differences</u>				
Impairment loss	\$ 5,993	\$ -	\$ -	\$ 5,993
Allowance for impairment loss	272	-	-	272
Allowance for write-down of inventories	18,828	(1,986)	-	16,842
Unrealized sales return and allowance	26,827	31,449	\$ -	58,276
Unrealized gross profit	270	(127)	-	143
Unrealized foreign exchange loss	966	14,757	-	15,723
Defined benefit obligation	4,786	(114)	183	4,855
Exchange differences on translating foreign operations	998	-	299	1,297
Others	<u>269</u>	<u>-</u>	<u>-</u>	<u>269</u>
	<u>\$ 59,209</u>	<u>\$ 43,979</u>	<u>\$ 482</u>	<u>\$ 103,670</u>
<u>Deferred tax assets</u>				
<u>Temporary differences</u>				
Unappropriated Earnings from subsidiaries	(\$ 7,094)	(\$ 3,827)	\$ -	(\$ 10,921)
Unrealized purchase allowance	<u>(103,048)</u>	<u>(32,487)</u>	<u>-</u>	<u>(135,535)</u>
	<u>(\$ 110,142)</u>	<u>(\$ 36,314)</u>	<u>\$ -</u>	<u>(\$ 146,456)</u>

For the year ended December 31, 2019

	<u>Opening Balance</u>	<u>Recognized in Profit (Loss)</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Closing Balance</u>
<u>Deferred tax liabilities</u>				
<u>Temporary differences</u>				
Impairment loss	\$ 5,993	\$ -	\$ -	\$ 5,993
Allowance for impairment loss	760	(488)	-	272
Allowance for write-down of inventories	13,028	5,800	-	18,828
Unrealized sales return and allowance	19,057	7,770	-	26,827
Unrealized gross profit	231	39	-	270
Unrealized foreign exchange losses	412	554	-	966
Defined benefit obligation	4,473	(88)	401	4,786
Exchange differences on translating foreign operations	223	-	775	998
Others	<u>269</u>	<u>-</u>	<u>-</u>	<u>269</u>
	<u>\$ 44,446</u>	<u>\$ 13,587</u>	<u>\$ 1,176</u>	<u>\$ 59,209</u>
 <u>Deferred tax assets</u>				
<u>Temporary differences</u>				
Unappropriated Earnings from subsidiaries	(\$ 6,901)	(\$ 193)	\$ -	(\$ 7,094)
Unrealized purchase allowance	(<u>50,733</u>)	(<u>52,315</u>)	<u>-</u>	(<u>103,048</u>)
	<u>(\$ 57,634)</u>	<u>(\$ 52,508)</u>	<u>\$ -</u>	<u>(\$ 110,142)</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Loss carryforwards		
Expiry in 2022	<u>\$ 504</u>	<u>\$ 778</u>
Deductible temporary differences	<u>\$ 74</u>	<u>\$ 8,563</u>

- f. Income tax assessments

The tax returns of the Company through 2018 have been assessed and cleared by the tax authorities.

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 2.99</u>	<u>\$ 2.62</u>
Diluted earnings per share	<u>\$ 2.99</u>	<u>\$ 2.62</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Year ended December 31	
	2020	2019
Income for the period attributable to owners of the Company	<u>\$ 536,016</u>	<u>\$ 469,655</u>
Earnings used in the computation of basic earnings per share	\$ 536,016	\$ 469,655
Effect of potentially dilutive ordinary shares:		
The after-tax interest of convertible bonds	<u>5,716</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 541,732</u>	<u>\$ 469,655</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year ended December 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	179,059	179,045
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,984	1,746
Corporate bond	<u>17,607</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>198,650</u>	<u>180,791</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. ACQUISITION OF A SUBSIDIARY

The Company acquired CT Continental Corporation in order to expand its agent distribution of computers and peripheral devices. For details about the acquisition of CT Continental Corporation refer to Note 30 to the Company's consolidated financial statements for the year ended December 31, 2020.

29. CASH FLOW INFORMATION

a. Non-cash transaction

For the year ended December 31, 2020 and 2019, the Company entered into the following non-cash investing and financing activities which were not reflected in the statements of cash flows:

- 1) The Company reclassified prepayments for equipment in the amount of NT\$285 thousand to property, plant and equipment for the year ended December 31, 2020.
- 2) The Company reclassified long-term borrowings amounting to NT\$18,828 thousand to the current portion of long-term borrowings for the year ended December 31, 2019.

b. Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2020

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes			Balance on December 31, 2020
			New Leases	Exchange Rate Change	Interest amortized	
Short-term borrowings	\$ 2,641,746	(\$ 228,414)	\$ -	(\$ 8,224)	\$ -	\$ 2,405,108
Short-term bills payable	210,000	(20,000)	-	-	-	190,000
Long-term borrowings	18,828	(18,828)	-	-	-	-
Guarantee deposits received	59,960	224,840	-	-	-	284,800
Lease liabilities	29,337	(8,745)	-	-	802	21,394
	<u>\$ 2,959,871</u>	<u>(\$ 51,147)</u>	<u>\$ -</u>	<u>(\$ 8,224)</u>	<u>\$ 802</u>	<u>\$ 2,901,302</u>

For the year ended December 31, 2019

	Balance as of January 1, 2020	Cash Flows	Non-cash Changes			Balance on December 31, 2020
			New Leases	Exchange Rate Change	Interest amortized	
Short-term borrowings	\$ 1,915,742	\$ 746,238	\$ -	(\$ 20,234)	\$ -	\$ 2,641,746
Short-term bills payable	70,000	140,000	-	-	-	210,000
Long-term borrowings	45,567	(26,739)	-	-	-	18,828
Guarantee deposits received	12,604	47,356	-	-	-	59,960
Lease liabilities	33,427	(7,993)	3,063	-	840	29,337
	<u>\$ 2,077,340</u>	<u>\$ 898,862</u>	<u>\$ 3,063</u>	<u>(\$ 20,234)</u>	<u>\$ 840</u>	<u>\$ 2,959,871</u>

30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Adopting a prudent risk management strategy and regularly reviewing the strategy, the Company engages in overall planning based on business development strategies and operational needs, in order to determine the appropriate capital structure of the Company.

The Company is not subject to any externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost:					
Convertible bond	967,284	997,400	-	-	997,400

The Level 2 and Level 3 fair value measurements above are determined by discounted cash flow analysis based on the income approach. The significant unobservable inputs used in Level 3 fair value measurements reflect the discount rates of counterparty credit risk.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ 6,922	\$ -	\$ -	\$ 6,922
Redemption option on convertible bonds	-	100	-	100
	<u>\$ 6,922</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 7,022</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	32,428	-	\$ -	32,428
Domestic unlisted shares and domestic emerging market shares	-	-	2,398	2,398
	<u>\$ 32,428</u>	<u>\$ -</u>	<u>\$ 2,398</u>	<u>\$ 34,826</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	<u>\$ 1,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,524</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares	\$ 15,613	\$ -	\$ -	\$ 15,613
Domestic unlisted shares and domestic emerging market shares	-	-	1,945	1,945
	<u>\$ 15,613</u>	<u>\$ -</u>	<u>\$ 1,945</u>	<u>\$ 17,558</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

	Financial Assets at FVTOCI
	Equity
	Instruments
Balance at January 1, 2020	\$ 1,945
Purchases	453
Recognized in other comprehensive income	-
Balance at December 31, 2020	<u>\$ 2,398</u>

For the year ended December 31, 2019

	Financial Assets at FVTOCI
	Equity Instruments
Balance at January 1, 2019	\$ 1,945
Purchases	-
Recognized in other comprehensive income	-
Balance at December 31, 2019	<u>\$ 1,945</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Input</u>
Factored accounts receivables	Discounted cash flow method: discounted at a discount rate that reflects the current borrowing rate at the end of the period.
Redemption option on convertible bonds	Discounted cash flow method: estimated future cash flow based on stock price volatility and annual bond yield in the most recent year.
Derivative financial instruments- FX Swap contract	Discounted cash flow method: Estimate the future cash flow according to the observable forward exchange rate on the balance sheet date and the exchange rate stipulated in the contract, and discount them respectively at the discount rate that can reflect the credit risk of each counterpart

- 4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Company measures the fair value of its investments on domestic unlisted shares by using the market approach. The judgment is based on the industry type, the evaluation of the same type of company and the company's operating situation.

c. Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 7,022	\$ 1,524
Financial assets at amortized cost (Note 1)	7,811,402	5,352,109
Financial assets at FVTOCI		
Equity instruments	34,826	17,558
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	6,740,884	4,916,584

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, other payables, bonds payable, long-term loans and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debit investments, accounts

receivables, accounts payables, borrowings and lease liabilities. The Company's Corporate Treasury monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which was governed by the Company's policies

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 36

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pretax profit and other equity associated with the 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollar Impact	
	For the Year ended December 31	
	2020	2019
Profit or loss	\$ 39,404	\$ 21,712

- i. This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables, accounts payables and loans, which were not hedged at the end of the reporting period

The Company's sensitivity to foreign currency increased during the current year mainly due to the increase of accounts receivable balance in the USD.

In management's opinion, the sensitivity analysis did not reflect the inherent exchange rate risk because the exposure at the end of the year did not reflect the exposure during the period.

b) Interest rate risk

The Company evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
Financial assets	\$ 2,278	\$ 2,423
Financial liabilities	1,157,284	210,000
Cash flow interest rate risk		
Financial assets	1,385,627	724,301
Financial liabilities	2,405,108	2,660,574

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates been 50 basis points higher/lower and all other variables were held constant, the Company's pre-tax profits for the years ended December 31, 2020 and 2019 would decrease/increase by NT\$5,097sand and NT\$9,681sand, respectively, mainly attributable to the Company's exposure to the floating-interest rates on bank borrowings and bank deposits

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates. The Company manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Company has appointed a special team to monitor the price risk and evaluate when it is necessary to increase the risk aversion position.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had fluctuated by 3%, the pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$211 thousand and \$46 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increase/decreased by \$1,045 thousand and \$527 thousand as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be mainly from the following:

- a) The carrying amount of the financial assets recognized in the balance sheets; and
- b) The maximum amount payable by the Company due to financial guarantees provided by the Company, regardless of possibility.

Financial assets are potentially affected by the failure of the Company's counterparties to fulfill their contractual obligations. The Company's credit risk is evaluated based on contracts whose fair value at the end of the financial reporting period is positive. The Company's counterparties are financial institutions and companies with sound credit ratings. The Company has a dedicated unit

that regularly monitors counterparty credit exposure levels every year, so no significant credit risk is expected.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts.

The Company's credit risk was mainly concentrated in the customers with each item's balance over 5% of the total trade receivables, which accounted for 9% and 16% of the total trade receivables as of December 31, 2020 and 2019, respectively. The Company considers the concentration of credit risk for the remaining accounts receivable not material.

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed

The maximum credit exposure of the Company is the net carrying amount of financial assets after deducting the amount that can be offset against each other and the impairment loss recognized in accordance with the regulations without considering collateral and other credit enhancement policies.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company's available unutilized bank loan facilities set out in section (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

To the extent that interest flows are floating, the undiscounted amount was derived from the yield curve at the end of the year.

December 31, 2020

	Less Than 1 Year	2-3 Years	4-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,425,156	\$ -	\$ -	\$ -
Short-term bills payable	190,000	-	-	-
Notes and accounts payables	2,600,606	-	-	-
Other payables	293,086	-	-	-
Lease liabilities	7,507	14,395	-	-
Refund liability	291,379	-	-	-
Bond payable	-	997,400	-	-
	<u>\$ 5,807,734</u>	<u>\$ 1,011,795</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	\$ <u>7,507</u>	\$ <u>14,395</u>	\$ <u>-</u>

December 31, 2019

	<u>Less Than 1 Year</u>	<u>2-3 Years</u>	<u>4-5 Years</u>	<u>Over 5 Years</u>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,678,809	\$ -	\$ -	\$ -
Short-term bills payable	210,000	-	-	-
Notes and accounts payables	1,740,591	-	-	-
Other payables	245,459	-	-	-
Lease liabilities	8,745	22,376	-	-
Refund liability	218,356	-	-	-
Long-term borrowings	<u>19,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,121,128</u>	<u>\$ 22,376</u>	<u>\$ -</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	\$ <u>8,745</u>	\$ <u>22,376</u>	\$ <u>-</u>

b) Financing facilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured bank overdraft facilities</u>		
Amount used	\$ 3,177,442	\$ 3,623,432
Amount unused	<u>4,513,768</u>	<u>3,942,908</u>
	<u>\$ 7,691,210</u>	<u>\$ 7,566,340</u>
<u>Secured bank borrowings facility</u>		
Amount unused	<u>\$ -</u>	<u>\$ 18,828</u>

e. Transfers of financial assets

Factored accounts receivables were as follows:

December 31, 2020

Counter-parties	Balance at January 1	Receivables Factoring Proceeds	Cash Received	Advances Received - Used	Balance at March 31	Credit Lines
Bank SinoPac	\$ 227,376 USD 7,672	\$ 3,725,646 USD 126,082	(\$ 371,908) (USD 12,641)	(\$ 3,328,749) (USD 112,211)	\$ 252,365 USD 8,902	USD 54,000
Taishin International Bank	160,591 USD 5,433	2,483,350 USD 83,824	(213,557) (USD 7,241)	(2,314,315) (USD 77,921)	116,069 USD 4,095	\$ 1,283,000
Chang Hwa Bank	13,100 USD 441	540,523 USD 18,263	(216,592) (USD 7,559)	(320,494) (USD 10,563)	16,537 USD 582	USD 6,000
E.Sun Bank	71,980 USD 2,427	1,366,675 USD 46,021	(172,498) (USD 5,872)	(1,185,485) (USD 39,730)	80,672 USD 2,846	USD 21,000
HSBC Bank	103,539 USD 3,487	1,196,122 USD 40,333	(288,122) (USD 9,908)	(853,899) (USD 28,355)	157,640 USD 5,557	USD 12,000
	<u>\$ 576,586</u> <u>USD 19,460</u>	<u>\$ 9,312,316</u> <u>USD 314,523</u>	<u>(\$ 1,262,677)</u> <u>(USD 43,221)</u>	<u>(\$ 8,002,942)</u> <u>(USD 268,780)</u>	<u>\$ 623,283</u> <u>USD 21,982</u>	

December 31, 2019

Counter-parties	Balance at January 1	Receivables Factoring Proceeds	Cash Received	Advances Received - Used	Balance at March 31	Credit Lines
Bank SinoPac	\$ 90,717 USD 2,954	\$ 2,415,900 USD 78,079	(\$ 233,598) (USD 7,558)	(\$ 2,045,643) (USD 65,803)	\$ 227,376 USD 7,672	<u>\$ 910,000</u>
Taishin International Bank	92,461 USD 3,010	2,299,881 USD 74,342	(225,095) (USD 7,301)	(2,006,656) (USD 64,618)	160,591 USD 5,433	<u>\$ 1,283,000</u>
Chang Hwa Bank	8,068 USD 263	262,114 USD 8,467	(26,267) (USD 851)	(230,815) (USD 7,438)	13,100 USD 441	<u>\$ 98,934</u>
E.Sun Bank	13,164 USD 429	1,189,107 USD 38,493	(108,005) (USD 3,500)	(1,022,286) (USD 32,995)	71,980 USD 2,427	<u>\$ 494,670</u>
HSBC Bank	61,776 USD 2,011	1,125,658 USD 36,367	(64,436) (USD 2,088)	(1,019,459) (USD 32,803)	103,539 USD 3,487	<u>\$ 449,700</u>
	<u>\$ 266,186</u> <u>USD 8,667</u>	<u>\$ 7,292,660</u> <u>USD 235,748</u>	<u>(\$ 657,401)</u> <u>(USD 21,298)</u>	<u>(\$ 6,324,859)</u> <u>(USD 203,657)</u>	<u>\$ 576,586</u> <u>USD 19,460</u>	

The above credit lines may be used on a revolving basis.

The effective weighted average interest rates for factoring ranged from 0.77%-2.8541% for the year ended December 31, 2020, and 2.33%-3.875% for the year ended December 31, 2019.

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Company, while losses from credit risk are borne by banks

Refer to Note 34 for information on the use of promissory notes provided by the Company as collateral for the sale of accounts receivable.

32. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Names and categories of related parties

<u>Name</u>	<u>Related Party Categories</u>
Promate Solutions Corporation.	Subsidiary
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Subsidiary
Promate Electronic (Shenzhen) Co., Ltd	Subsidiary
Promate Electronic (Shanghai) Co., Ltd	Subsidiary
CT Continental Corp.	Substantive related party (became subsidiary since June 15, 2020)
Weikeng Industrial Co., Ltd.	Substantive related party
Prosperity Venture Capital I, Limited	Substantive related party
HIGGSTEC Inc.	The management – The company is a corporate director of the entity.

b. Sales of goods

<u>Line Items</u>	<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Sales	Substantive related parties	\$ 12,398	\$ 6,817
	Subsidiaries	939,716	901,147
	The management	<u>533</u>	<u>975</u>
		<u>\$ 952,647</u>	<u>\$ 908,939</u>
Other revenue	The management	\$ 153	\$ -
	Promate Solutions Corporation	<u>4,380</u>	<u>4,080</u>
		<u>\$ 4,533</u>	<u>\$ 4,080</u>

c. Purchases of goods

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Substantive related parties	\$ 35,378	\$ 29,797
Subsidiaries	<u>20,506</u>	<u>25,109</u>
	<u>\$ 55,884</u>	<u>\$ 54,906</u>

The related-party transactions were conducted under normal terms.

d. Receivables from related parties (excluding loans to related parties)

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiaries		
	CT Continental Corp.	\$ 1,076,857	\$ -
	Other	214,389	162,096
	Substantive related parties		
	CT Continental Corp.	-	664,490
	Other	2,180	1,718
	The management	<u>14</u>	<u>-</u>
		<u>\$ 1,293,440</u>	<u>\$ 828,304</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables from subsidiaries.

The revenue from sales to other customers through CT Continental Corp. for the years ended December 31, 2020 and 2019 were NT\$2,021,187 thousand, and NT\$1,495,635 thousand respectively.

Its accounts receivable as of December 31, 2020 and 2019 was NT\$1,076,857 thousand, and NT\$664,490 thousand respectively.

e. Payables to related parties (excluding loans from related parties)

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payables	Subsidiaries	\$ 5,168	\$ 10,293
	Substantive related parties	11,245	7,551
		<u>\$ 16,413</u>	<u>\$ 17,844</u>
Other payables	Subsidiaries	<u>\$ 10,078</u>	<u>\$ 4,236</u>

The outstanding accounts payables to related parties are unsecured.

f. Advances received

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Advances received	Subsidiaries	<u>\$ 725</u>	<u>\$ 725</u>

g. Lease arrangements - the Company is lessee

Acquisition of right-of-use assets

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Acquisition of right-of-use assets		
Substantive related parties		
Weikeng Industrial Co., Ltd.	<u>\$ 6,268</u>	<u>\$ 8,357</u>

<u>Lessor</u>	<u>Location</u>	<u>Lease term and Payment Method</u>
Weikeng Industrial Co., Ltd.	Office building on Huanshan Road, Neihu District	The lease term begins on January 1, 2016 and ends on December 31, 2020. Rent is paid every six months, where the monthly rent is NT\$65,000.

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease liabilities	Substantive related party Weikeng Industrial Co., Ltd.	<u>\$ 6,453</u>	<u>\$ 8,480</u>

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Interest expense</u>		
Substantive related parties		
Weikeng Industrial Co., Ltd	<u>\$ 206</u>	<u>\$ 265</u>

h. Lease arrangements - the Company is lessor

Operating leases

Lessor	Location	Lease Term and Payment Method	For the Year ended December 31	
			2020	2019
Promate Solutions Corporation.	QingPu Factory	The lease term begins on August 1, 2018 and ends on July 30, 2023. Rent is paid every six months.	\$ 11,148	\$ 11,148
Prosperity Venture Capital I, Limited	Office building on Huanshan Road, Neihu District	The lease term begins on March 1, 2017 and ends on February 28, 2019, and then begins on March 1, 2019 and ends on February 28, 2021. Rent is paid every six months.	20	24
			<u>\$ 11,168</u>	<u>\$ 11,172</u>

i. Acquisition of financial instruments

Related Party Categories/Name	Line Item	Number of shares	Transaction subject	Amount
Prosperity Venture Capital I, Limited	Investments in equity instruments at FVTOCI- non current	819	Medimaging Integrated Solution Inc.	\$ 15
		48,645	Tricornrtech Corp.	438
				<u>\$ 453</u>

j. Other transactions with related parties

1) Rental expense

Lessee	Location	Lease Term and Payment Method	For the Year ended December 31	
			2020	2019
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Warehouse and office in HK	The monthly rent is HK\$10,000, and the warehouse is calculated based on the monthly usage area. Since February 2006, the rent has been rented and the rent is paid monthly.	\$ 6,784	\$ 6,430
Substantive related parties	Office building on Huanshan Road, Neihu District	The lease term begins on March 1, 2017 and ends on February 28, 2019.	-	390
			<u>\$ 6,784</u>	<u>\$ 6,820</u>

2) Operating expense

Related Party Categories/Name	Line Items	For the Year ended December 31	
		2020	2019
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Freight	<u>\$ 47,308</u>	<u>\$ 47,455</u>
Subsidiaries	Repair and maintenance	<u>\$ 45</u>	<u>\$ 88</u>

Related Party Categories/Name	Line Items	For the Year ended December 31	
		2020	2019
Promate Electronic (Shenzhen) Co., Ltd	Professional service fees	\$ 64,227	\$ 68,856
Promate Electronic (Shanghai) Co., Ltd	Professional service fees	30,890	23,049
Subsidiaries	Other operating expenses	2,315	-
Substantive related parties	Other operating expenses	-	1,825
		<u>\$ 97,432</u>	<u>\$ 93,730</u>

k. Other transactions with related parties

Due to business needs, the company purchased 600,000 shares of CT Continental Corp. from the chairman at NT\$10 per share and total price is NT\$ 6 million, The proposition was presented on the third board of directors' meetings in 2020, and the chairman left due to avoidance of interests. The case was passed unanimously by other directors.

l Compensation of key management personnel

Line Items	For the Year ended December 31	
	2020	2019
Short-term employee benefits	\$ 43,141	\$ 43,720
Other long-term employee benefits	261	258
	<u>\$ 43,402</u>	<u>\$ 43,978</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2020	December 31, 2019
Land	\$ 196,487	\$ 186,047
Buildings	102,188	98,838
Financial assets at amortized cost	2,278	2,423
	<u>\$ 300,953</u>	<u>\$ 287,308</u>

The land and buildings above have been pledged as collateral for bank loans. The Company may not use the pledged assets as collateral for other loans or sell them to other companies.

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company were as follows:

a. Significant commitments

- 1) As of December 31, 2020 and 2019, unused letters of credit for purchases of inventories were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
USD	\$ 598	\$ 1,222
NTD	150,000	300,000

- 2) As of December 31, 2020 and 2019, the Company had issued promissory notes for the facilities of bank loans, the facilities of accounts receivables factoring and for purchase of inventories amounted to \$903,000 thousand and \$753,000 thousand, respectively.
- 3) As of December 31, 2020 and 2019, the Company has issued letters of guarantee for purchase of inventories amounted to \$218,796 thousand and \$219,015 thousand, respectively.
- 4) As of December 31, 2020 and 2019, the Company has all issued letters of guarantee for tariff guarantee amounted to \$12,000 thousand.

b. Contingent liabilities: None

35. GNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: NONE

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

	Unit: In Thousands for Currencies, Except Exchange Rates		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 268,288	28.48 (USD:NTD)	\$ 7,640,843
CNY	2,652	4.3777 (CNY:NTD)	11,608
HKD	2,415	3.673 (HKD:NTD)	<u>8,869</u>
			<u>\$ 7,661,320</u>
Nonmonetary items			
Investments accounted for using the equity			
USD	2,411	28.48 (USD:NTD)	\$ 68,665
HKD	9,287	3.673 (HKD:NTD)	<u>34,111</u>
			<u>\$ 102,776</u>
<u>Financial liabilities</u>			
Monetary items			
USD	129,932	28.48 (USD:NTD)	\$ 3,700,477
CNY	86	4.377 (CNY:NTD)	375
HKD	1,264	3.673 (HKD:NTD)	<u>4,643</u>
			<u>\$ 3,705,495</u>

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 183,508	29.98 (USD:NTD)	\$ 5,501,569
CNY	1,418	4.305 (CNY:NTD)	6,104
HKD	904	3.849 (HKD:NTD)	<u>3,479</u>
			<u>\$ 5,511,152</u>
Nonmonetary items			
Investments accounted for using the equity			
USD	\$ 1,810	29.98 (USD:NTD)	\$ 54,273
HKD	8,154	3.849 (HKD:NTD)	<u>31,384</u>
			<u>\$ 85,657</u>
<u>Financial liabilities</u>			
Monetary items			
USD	111,084	29.98 (USD:NTD)	\$ 3,330,299
CNY	219	4.305 (CNY:NTD)	941
HKD	1,209	3.849 (HKD:NTD)	<u>4,652</u>
			<u>\$ 3,335,892</u>

The Company is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities of the Company, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year ended December 31			
	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	28.48 (USD:NTD)	(\$ <u>201,121</u>)	29.98 (USD:NTD)	(\$ <u>45,202</u>)

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. information on investees:

- 1) Financing provided to others. (None)
- 2) Endorsement/guarantee provided. (Table 1)
- 3) Marketable securities held. (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)

- 9) Trading in derivative instruments. (Table 7)
- 10) Significant transactions between the Company and subsidiaries. (Table 5)
- b. Information of investees. (Table 6)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 7)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders. (Table 8)

PROMATE ELECTRONIC CO., LTD.

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2020

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/Guaranteed During the Period (Note 3)	Outstanding Endorsement/Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable (Note 2)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	Promate Electronic (Shenzhen) Co., Ltd.	(1)	\$1,360,237	\$ 26,370	\$ 26,262	\$ -	\$ -	0.68	\$1,943,196	Y	N	Y
		Promate Electronic (Shanghai) Co., Ltd	(1)	1,360,237	95,555	52,524	-	-	1.35	1,943,196	Y	N	Y
1	Promate Electronic (Shanghai) Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	(2)	1,360,237	27,618	26,262	-	26,262	0.68	1,943,196	N	N	Y

Note 1 : The 2 types of relationship between a guarantor and a guarantee are set out as follows:

(1) Companies in which the Company directly and indirectly holds more than 50 % of the voting shares.

(2) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

Note 2 : The endorsement/guarantee limit is determined by the Company in accordance with Articles 36 and 38 of the Securities and Exchange Act and Operational Procedures for

Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 35% of the net worth of the current period.

(1)According to the above regulations, aggregate Endorsement/Guarantee Limit: shall not exceed forty percent (50%) of net worth NT\$3,886,392 (in thousands) \times 50% = \$1,943,196 (in thousands).

(2)According to the above regulations, limits on Endorsement/Guarantee Given on Behalf of Each Party: Shall not exceed thirty percent (35%) of net worth NT\$3,886,392 (in thousands) \times 35% = \$1,360,237 (in thousands).

PROMATE ELECTRONIC CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2020

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Promate Solutions Corporation.	Subsidiary	Sale	\$259,886	0.97%	Transaction terms are not significantly different from those for third parties	\$ -	—	Accounts receivable \$ 34,739	0.65%	
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	"	432,166	1.62%		-	—	Accounts receivable 126,503	2.38%	
	Promate Electronic (Shanghai) Co., Ltd	Subsidiary	"	247,664	0.93%		-	—	Accounts receivable 53,147	1.00%	

PROMATE ELECTRONIC CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2020**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	CT Continental Corporation	Subsidiary	Accounts receivable \$1,076,857	2.32	\$ -	—	\$ 479,095	\$ -
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	Accounts receivable \$126,503	4.28	-	—	90,818	

PROMATE ELECTRONIC CO., LTD.

INFORMATION ON INVESTEEES
 FOR THE YEARS ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Promate Electronic Co., Ltd	<u>With control ability</u> Promate Solutions Corporation.	Taipei, Taiwan	Production and trade of electronic components	\$ 297,527	\$ 297,527	25,328	66.21	\$ 727,839	\$ 203,075	\$ 134,747	Subsidiary
	PROMATE INTERNATIONAL CO., LTD.	Hong Kong	General investment	52,101	52,101	12,360	100.00	59,306	18,856	18,856	Subsidiary
	HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Hong Kong	Warehousing and logistics services	12,124	12,124	3,000	100.00	33,613	4,314	4,314	Subsidiary
	PROMATE ELECTRONICS COMPANY USA	USA	General trade of electronic components	606	606	20	100.00	8,661	(586)	(586)	Subsidiary
	CT Continental Corporation	Taipei, Taiwan	General trade of electronic components	54,000	-	5,400	90.00	54,371	1,146	371	Subsidiary
Promate Electronic Co., Ltd	<u>Having significant influence</u> Prosperity Venture Capital I, Limited	Taipei, Taiwan	General investment	17,215	17,215	11	21.62	645	(15,954)	(3,449)	Equity method investee
Promate Solutions Corporation	<u>With control ability</u> PROMATE JAPAN Inc.	Japan	General trade of electronic components	2,791	2,791	10	100.00	3,002	424	424	Subsidiary

Note: Refer to Table 8 for information on investment in mainland China.

PROMATE ELECTRONIC CO., LTD.

**INVESTMENTS IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2020**

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

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Promate Electronic (Shenzhen) Co., Ltd.	International trade, entrepot trade, trade with companies and trading agents in free trade zones	\$ 6,782 (USD 200)	100% Indirectly invested through Promate International Co, Ltd. (Note 1)	\$ 6,782 USD 200	\$ -	\$ -	\$ 6,782 USD 200	\$ 13,753 (Note 2)	100	\$ 13,753 (Note 2)	\$ 19,560	\$ -
Promate Electronic (Shanghai) Co., Ltd	"	32,500 (USD 1,000)	Same as above	32,500 USD 1,000	-	-	32,500 USD 1,000	4,984 (Note 2)	100	4,984 (Note 2)	31,159	-

2. Limit on the amount of investment in China

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$39,282 USD1,200	\$39,282 USD1,200	\$2,558,242

Note 1: Indirect investment in mainland China through holding companies - Promate International co., Ltd.

Note 2: The amount was recognized based on the audited financial statements of the investee company.

PROMATE ELECTRONIC CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEARS ENDED DECEMBER 31, 2020

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

Investee Company	Relationship Between the Company and Related Party	Purchase/Sale		Unit Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gains or Losses
		Amount	Percentage		Payment Terms	Compared to General Transactions	Ending Balance	% of Total	
Promate Electronic (Shenzhen) Co., Ltd.	Sub-subsidiary indirectly wholly owned by the Company	\$ 432,166	1.62%	No significant difference	No significant difference	No significant difference	Accounts receivable \$126,503	2.38%	\$ 46
Promate Electronic (Shanghai) Co., Ltd	Sub-subsidiary indirectly wholly owned by the Company	247,664	0.93%	"	"	"	Accounts receivable \$53,147	1.00%	65

1. Endorsements, guarantees or collateral directly and indirectly provided by investee companies in mainland China through businesses in a third area: Table 1.
2. Financial intermediation directly and indirectly provided by investee companies in mainland China through a third area: None.
3. Other transactions that have a material impact on current profit or loss or financial status: None.

PROMATE ELECTRONIC CO., LTD.**INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
None	-	-

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.

PROMATE ELECTRONIC CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEM

ITEM	STATEMENT INDEX
Major Accounting Items in Assets, Liabilities and Equity	
Statement of Cash and Cash Equivalents	1.
Statement of Financial Assets Measured at FVTPL - Current	2.
Statement of Financial Assets Measured at Amortized Cost - Current	3.
Statement of Notes receivables	4.
Statement of Trade receivables	5.
Statement of Other Receivables	6.
Statement of Inventories	7.
Statement of Other Current Assets	8.
Statement of Changes in Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss - Non-current	9.
Statement of Changes in Investment Accounted for Using the Equity Method	10.
Statement of Changes in Right-of-use Assets	11.
Statement of Short-term Borrowings	12.
Statement of Notes Payables	13.
Statement of Trade Payables	14.
Statement of Lease Liabilities	15.
Statement of Contract Liabilities	16.
Statement of Other Current Liabilities	17.
Statement of Long-term Borrowings	18.
Major Accounting Items in Profit or Loss	
Statement of Operating Income	19.
Statement of Operating Cost	20.
Statement of Operating Expenses	21.
Statement of Labor, Depreciation and Amortization by Function	22.

Statement 1

PROMATE ELECTRONIC CO., LTD

Statement of f Cash and Cash Equivalents

December 31, 2020

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash in hand		\$ 1,219
Checking accounts and demand deposits		470,987
Foreign currency deposit	Mainly including USD 32,497 thousand (exchange rate of 28.48), EUR 0.8 thousand (exchange rate of 35.02), CNY 118, thousand (exchange rate of 4.377), and HKD 757 thousand (exchange rate of 3.673)	<u>914,640</u>
		<u>\$ 1,386,846</u>

PROMATE ELECTRONIC CO., LTD

Statement of Financial Assets Measured at Fair Value through Profit or Loss - Current Assets

December 31, 2020

(In Thousands of New Taiwan Dollars)

Name	Number of Shares	Face value	Total Amount	Interest rate	Acquisition cost	Fair value		Fair value change attributable to change in credit risk	Remarks
						Unit price	Total Amount		
Listed Securities									
KO JA (CAYMAN) CO., LTD.	40,000	10	\$ 5,260	-	\$ 5,808	\$131.5	\$ 5,260	(\$ 548)	
Great Tree Pharmacy Co., Ltd.	30,000	10	1,662	-	1,997	55.4	1,662	(335)	
Redemption option on convertible bonds	10,000,000	100,000	<u>100</u>	-	<u>100</u>	0.01	<u>100</u>	<u>-</u>	
			<u>\$ 7,022</u>		<u>\$ 7,905</u>		<u>\$ 7,022</u>	<u>(\$ 883)</u>	

PROMATE ELECTRONIC CO., LTD

Statement of Financial Assets Measured at Amortized Cost - Current Assets

December 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Name</u>	<u>Description</u>	<u>Face value</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Book Value</u>	<u>Accumulated Impairment</u>	<u>Remarks</u>
First Bank	Time deposits	USD 80,000	<u>\$ 2,278</u>	1.1%	<u>\$ 2,278</u>	<u>\$ -</u>	

PROMATE ELECTRONIC CO., LTD

Statement of Notes Receivables

December 31, 2020

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Check		
A Company	Payment for goods	\$ 26,768
Others (Note)	"	<u>1,490</u>
		<u>\$ 28,258</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PROMATE ELECTRONIC CO., LTD**Statement of Trade Receivables, Net****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
At amortized cost		
Non-related Parties	Payment for goods	\$ 495,058
E Company	"	<u>3,520,333</u>
Others (Note)		<u>4,015,391</u>
Related parties		
Promate Electronic (Shanghai) Co., Ltd	"	53,147
Promate Electronic (Shenzhen) Co., Ltd.	"	126,503
Promate Solutions Corporation.	"	34,739
Weikeng Industrial Co., Ltd.	"	2,180
CT Continental Corp.	"	1,076,857
HIGGSTEC Inc.	"	<u>14</u>
		<u>1,293,440</u>
Less: Allowance for doubtful accounts		(<u>21,264</u>)
		<u>\$ 5,287,567</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PROMATE ELECTRONIC CO., LTD**Statement of Other Receivables****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Non-related Parties		
Tax refund receivables		\$ 71,529
Factored accounts receivables	Bank SinoPac	252,365
	Taishin International Bank	116,069
	Chang Hwa Bank	16,537
	E.Sun Bank	80,672
	HSBC Bank	<u>157,640</u>
		<u>623,283</u>
Others (Note)		<u>10,503</u>
		705,315
Related parties		<u>-</u>
		<u>\$ 705,315</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PROMATE ELECTRONIC CO., LTD**Statement of Inventories****December 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	
		Cost	Net realizable value
Merchandise	Linear/Distributed Components	\$ 1,032,937	\$ 1,254,360
	LCD Display Products	311,096	322,776
	Image Processing ICs	404,668	423,052
	Microcomputer controller	49,578	52,492
	Memory	68,179	71,898
	Application specific IC	149,305	190,890
	Others	<u>22,749</u>	<u>23,862</u>
		<u>\$ 2,038,512</u>	<u>\$ 2,339,330</u>

PROMATE ELECTRONIC CO., LTD

Statement of Other Current Assets

December 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Name</u>	<u>Description</u>	<u>Amount</u>
Prepayment	Insurance	\$ 2,673
	Others	1,281
Advance Payments		24
Suspense payment		<u>478</u>
		<u>\$ 4,456</u>

PROMATE ELECTRONIC CO., LTD

Statement of Changes in Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss - Non-current

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

	Beginning Balance		Additions in Investment		Decrease in Investment		Valuation Adjustment	Ending Balance		Collateral
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value	
Ordinary shares										No
ITE Tech. Inc.	4,420	\$ 195	-	\$ -	4,420	\$ 195	\$ -	-	\$ -	
Jam Technologies, Inc.	77,821	-	-	-	-	-	-	77,821	-	
Always Positive Solar Silicon, Inc.	525,000	-	-	-	-	-	-	525,000	-	
MiTAC Inc. (Claridy Solutions, Inc.)	18,140	-	-	-	-	-	-	18,140	-	
Easycard Corporation	8,889	-	-	-	-	-	-	8,889	-	
uPI Semiconductor Corp.,	56,080	1,009	-	-	-	-	-	56,080	1,009	
Medimaging Integrated Solution Inc.	52,000	936	819	15	-	-	-	52,819	951	
TricornTech Taiwan Corporation	-	-	48,645	438	-	-	-	48,645	438	
Higgstec Inc.	528,000	15,418	261,000	6,962	-	-	10,048	789,000	32,428	
		<u>\$ 17,558</u>		<u>\$ 7,415</u>		<u>\$ 195</u>	<u>\$ 10,048</u>		<u>\$ 34,826</u>	

PROMATE ELECTRONIC CO., LTD

Statement of Changes in Investment Accounted for Using the Equity Method

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase (Note 1)		Decrease (Note 2)		Investment gain or loss	Exchange differences arising on translating the foreign operations	Actuarial profit and loss of defined benefit plans	Ending Balance			Valuation basis	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Ownership interest %	Amount		
Promate Solutions Co., Ltd.	25,328	\$ 706,167	-	\$ 13,748	-	\$ 126,643	\$ 134,747	\$ 1	(\$ 181)	25,328	66.21%	\$ 727,839	Equity Law	No
PROMATE INTERNATIONAL CO., LIMITED	12,360	39,771	-	21	-	-	18,856	658	-	12,360	100%	59,306	"	"
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	3,000	30,886	-	-	-	-	4,314	(1,587)	-	3,000	100%	33,613	"	"
PROMATE ELECTRONICS COMPANY USA	20	9,712	-	-	-	-	(586)	(465)	-	20	100%	8,661	"	"
Prosperity Venture Capital I, Limited.	11	4,693	-	-	-	500	(3,449)	(99)	-	11	21.62%	645	"	"
CT CONTINENTAL CORP.	-	-	5,400	54,000	-	-	371	-	-	5,400	90%	54,371	"	"
		<u>\$ 791,229</u>		<u>\$ 67,769</u>		<u>\$ 127,143</u>	<u>\$ 154,253</u>	<u>(\$ 1,492)</u>	<u>(\$ 181)</u>			<u>\$ 884,435</u>		

Note 1: Promate Solutions Co., Ltd. increased by NT\$13,748 thousand in 2020, which was due to the NT\$13,078 thousand of other comprehensive profit and loss and the realized benefits of NT\$670 thousand from the company's sales of inventories and subsidiaries.

PROMATE INTERNATIONAL CO., LIMITED increased by NT\$21 thousand in 2020, which is due to the company's inventory sales and the realized benefits of its subsidiaries.

CT CONTINENTAL CORP. on June 15, 2020, the equity price of NT\$6,000 thousand, the shareholding ratio is 50%; on June 30, 2020, the cash consideration for the cash capital increase payment is NT\$48,000 thousand and the shareholding ratio is increased from 50% to 90%, a total of NT\$54,000 thousand was paid.

Note 2: Promate Solutions Co., Ltd. decreased by NT\$126,643 thousand in 2020, which was due to the receipt of cash dividends.

Prosperity Venture Capital I, Limited. 2020 decreased by NT\$500 thousand, which is due to the capital reduction and return of share capital.

PROMATE ELECTRONIC CO., LTD**Statement of Changes in Right-of-use Assets****For the Year Ended December 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Building	Transportation Equipment	Total	Remarks
Cost				
Balance on January 1, 2020	<u>\$ 32,270</u>	<u>\$ 4,762</u>	<u>\$ 37,032</u>	
Balance on December 31, 2020	<u>\$ 32,270</u>	<u>\$ 4,762</u>	<u>\$ 37,032</u>	
Accumulated Depreciation				
Balance on January 1, 2020	\$ 6,352	\$ 1,057	\$ 7,409	
Additions	<u>6,352</u>	<u>1,834</u>	<u>8,186</u>	
Balance on December 31, 2020	<u>\$ 12,704</u>	<u>\$ 2,891</u>	<u>\$ 15,595</u>	
Net Amount on December 31, 2020	<u>\$ 19,566</u>	<u>\$ 1,871</u>	<u>\$ 21,437</u>	

PROMATE ELECTRONIC CO., LTD

Statement of Short-term Borrowings

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Name	Ending balance	Contract period	Range of Interest Rates (%)	Loan commitment	Collateral
Financial institution	\$ 420,000	2020/12/21-2021/03/22	0.86%~0.88%	\$ 640,800	No
"	340,000	2020/12/07-2021/03/29	0.93656%~0.93711%	350,000	No
"	328,480	2020/10/13-2021/03/17	0.5%~0.8%	450,000	No
"	263,920	2020/12/02-2021/03/04	0.75%~0.925%	388,000	Yes
"	200,000	2020/05/22-2021/05/21	0.6301%	200,000	No
"	200,000	2020/12/30-2021/01/04	0.82~0.88%	250,000	No
"	150,000	2020/01/14-2021/01/14	0.845%~0.95%	250,000	Yes
"	150,000	2020/11/19-2021/01/18	0.84%~0.9%	350,000	No
Others	<u>352,708</u>	2020/11/12-2021/03/12	0.67%~0.9%		No
	<u>\$ 2,405,108</u>				

PROMATE ELECTRONIC CO., LTD

Statement of Notes Payables

December 31, 2020

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Check Z Company	Security fee	<u>\$ 24</u>

PROMATE ELECTRONIC CO., LTD**Statement of Trade Payables****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Non-related Parties		
Company A	Payment for goods	\$ 915,294
Company B	"	347,104
Company C	"	222,395
Company E	"	193,181
Company F	"	180,422
Company G	"	171,811
Other (Note)	"	<u>553,962</u>
		<u>2,584,169</u>
Related parties		
Promate Solutions Corporation.	"	5,168
Weikeng Industrial Co., Ltd.	"	<u>11,245</u>
		<u>16,413</u>
		<u>\$ 2,600,582</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

PROMATE ELECTRONIC CO., LTD**Statement of Lease Liabilities****December 31, 2020****(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Lease Term</u>	<u>Discount Rate (%)</u>	<u>Current</u>	<u>Non-current</u>	<u>Ending Balance</u>
Building	Mainly used as office	5 years	3%	\$ 6,478	\$ 13,075	\$ 19,553
Transportation Equipment	Mainly used by salesman or warehouse personnel	3 ~ 5 years	5.69%	<u>1,029</u>	<u>812</u>	<u>1,841</u>
Total				<u>\$ 7,507</u>	<u>\$ 13,887</u>	<u>\$ 21,394</u>

PROMATE ELECTRONIC CO., LTD**Statement of Contract Liabilities****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Company 一		\$ 4,537
Company ㄊ		2,908
Company ㄣ		2,906
Company ㄨ		2,158
Other (Note)		<u>27,084</u>
		<u>\$ 39,593</u>

Note: The amount of individual account in others does not exceed 5% of the account balance.

PROMATE ELECTRONIC CO., LTD

Statement of Other Current Liabilities

December 31, 2020

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Sales revenue received in advance		\$ 294
Refund liability		291,379
Temporary payment		15,027
Collection		<u>1,157</u>
		<u>\$ 307,857</u>

Note: The amount of individual account in others does not exceed 5% of the account balance.

PROMATE ELECTRONIC CO., LTD

Statement of Long-term Borrowings

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Bank	Maturity	Term	Interest %	Amount			Collateral
				Less Than 1 Year	Over 1 Years	Total	
Chang Hwa Commercial Bank, Ltd.- Chilin Branch	2020/09/30	Beginning on September 30, 2012, each month is divided into 96 instalments, and the principal and interest will be amortized evenly on the 30th of the month as scheduled.	1.81%	<u>\$</u>	<u>\$</u>	<u>\$</u>	Please refer to Note 33

PROMATE ELECTRONIC CO., LTD**Statement of Operating Revenue****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Quantity (In Thousand Units)	Amount
Sales revenue		
Specific applications and LCD panel related products	2,874	\$ 3,883,305
Linear/distributed components	5,377,649	11,972,090
Image processing IC	344,821	5,632,695
Application-specific chips	1,037,567,	1,928,084
Other	236,468	1,645,113
		<u>\$ 25,061,287</u>

PROMATE ELECTRONIC CO., LTD**Statement of Operating Cost****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Amount
Merchandise, beginning of year	\$ 2,842,428
Additions: Merchandise purchased	23,110,484
Deductions: Loss of disposal of merchandise	(1,721)
Transferred to manufacturing or operating expense	(27,538)
Merchandise, end of year	<u>(2,295,153)</u>
Cost of goods sold, merchandise	23,628,500
Additions: processing fee	1,949
Deductions: Impairment loss (gain) on inventories	(9,927)
Deductions: Loss of disposal of merchandise	<u>1,721</u>
	<u>\$ 23,622,243</u>

PROMATE ELECTRONIC CO., LTD**Statement of Operating Expenses****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

<u>Item</u>	<u>Selling Expenses</u>	<u>General & Administrative Expenses</u>	<u>Research & Development Expenses</u>	<u>Amount</u>
Salary expense	\$ 213,745	\$ 38,200	\$ 1,046	\$ 252,991
Freight expense	167,182	119	4	167,305
Entertainment expenses	29,971	7,538	120	37,629
Others (Note)	<u>186,123</u>	<u>55,176</u>	<u>2,497</u>	<u>243,796</u>
	<u>\$ 597,021</u>	<u>\$ 101,033</u>	<u>\$ 3,667</u>	<u>\$ 701,721</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

PROMATE ELECTRONIC CO., LTD

Statement of Labor, Depreciation and Amortization by Function

December 31, 2020

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

	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employees' Benefit Expenses						
Salary Expense	\$ -	\$ 235,191	\$ 235,191	\$ -	\$ 197,960	\$ 197,960
Labor and Health Expenses	-	14,690	14,690	-	14,144	14,144
Pension Expenses	-	7,300	7,300	-	7,117	7,117
Directors' Remuneration	-	10,500	10,500	-	8,800	8,800
Other Employees Benefit Expenses	-	22,955	22,955	-	17,415	17,415
Total	<u>\$ -</u>	<u>\$ 290,636</u>	<u>\$ 290,636</u>	<u>\$ -</u>	<u>\$ 245,436</u>	<u>\$ 245,436</u>
Depreciation Expense	\$ -	\$ 17,720	\$ 17,720	\$ -	\$ 16,934	\$ 16,934
Amortization Expense	-	663	663	-	1,100	1,100

Note:

- The number of employees for this year and the previous year were 203 and 200 respectively, of which the number of directors who did not serve concurrently was 5 and 5 respectively.
- The average employee benefit expenses were \$1,415 thousand and \$1,214 thousand for the years ended December 31, 2020 and 2019 (“Employee benefit expenses - remuneration of directors”/“average number of employees - board of directors without holding employment positions”).
 - The average salaries and bonuses were \$1,188 thousand and \$1,015 thousand for the years ended December 31, 2020 and 2019 (Salary and bonus/“average number of employees - board of directors without holding employment positions”).
 - The average salary and bonus increased by 17.04% year over year. (“Average salary and bonus for the year ended 2020 - average salary and bonus for the year ended 2019”/average salary and bonus for the year ended 2019).
 - The remuneration of independent directors were \$10,500 thousand and \$8,800 thousand for the years ended December 31, 2020 and 2019
 - For the remuneration system of directors and managers of Promate Electronic Co., LTD. (the “Company”), the Company’s Salary and Remuneration Committee evaluates the remuneration policies and systems of the Company’s directors and managers in a professional and objective position , To meet at least twice a year, and to hold meetings at any time as needed to assist the board of directors in evaluating and supervising the company’s overall remuneration policy for its decision-making reference. The Committee should refer to the usual level of salary payment in the industry, and consider the performance of the Company’s operations and employees’ personal performance appraisal, as well as future business risks, and should not guide directors and managers to engage in behaviors that exceed the company’s risk appetite in pursuit of remuneration. ; And under the principle that the ratio of remuneration for directors and managers' short-term performance and the payment time of part of the variable remuneration should be determined in consideration of the characteristics of the industry and the nature of the company's business, etc., the following powers should be faithfully performed, and the recommendations should be submitted to the board of directors for discussion:
 - To ensure that the company's salary and remuneration levels comply with relevant labor regulations and are sufficient to attract outstanding talents.
 - Formulate and regularly review the policies, systems, standards and structures for performance appraisal and salary levels of directors and managers.
 - Establish and regularly evaluate the performance and remuneration of directors and managers.
 - The content and amount of remuneration for directors and managers should be determined in consideration of its rationality. The decision on remuneration for directors and managers should not deviate significantly from financial performance.