Stock code: 6449

APAQ Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report 2020 and 2019

Address: 4F., No. 2&6, Kedong 3rd Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

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For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

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Statement of Declaration

In year 2020 (from January 1 to December 31, 2020), pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements for Affiliates will not be prepared.
Hereby declared by

Company Name: APAQ TECHNOLOGY CO., LTD.

Chairman: Dr. DJ Zheng

February 25, 2021

Independent Auditors' Report

To the Board of Directors of APAQ Technology Co., Ltd.

Opinion

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

In our opinion, based on our audits and the audit reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the consolidated company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed by the Financial Supervisory Commission (FSC).

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the section titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements." We are independent of the consolidated company in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not express a separate opinion on these matters. Key audit matters for the consolidated company's consolidated financial statements of the current period are stated as follows:

Inventory assessment

For accounting policies related to inventory assessment, please refer to Note IV(VIII) Inventory of the consolidated financial statements. For accounting estimates and assumption uncertainty for inventory assessment, please refer to Note V of the consolidated financial statements. Relevant details can be found in Note VI(IV) net inventory.

Description

Since inventory is measured by the lower of cost and net realizable value, companies need to employ judgments and estimates to determine the net realizable value of inventory on the reporting date. Due to the rapid evolution in technology, the net realizable value fluctuates and potentially leads to significant changes. Therefore, the assessment for the allowance for price decline in inventories is one of the important evaluation items for the accountant when auditing the consolidated company's consolidated financial report.

How our audit addressed the matter:

Our main audit procedure for the above-mentioned key matters includes obtaining the inventory aging report and checking the general ledger, selecting appropriate samples from the inventory aging report to compare with the transaction documents to verify that the inventory has been placed in the appropriate interval of the inventory aging report, understanding the management's strategy for calculating the net realizable value and checking relevant documents, evaluating the reasonableness of the inventory price decline and the policy for taking stock of obsolete and slow-moving inventories, assessing whether the inventory evaluation has been implemented in accordance with the established accounting policies, and evaluating whether the management's disclosure for allowance for price decline in inventories is reasonable.

Other Matters

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of APAQ TECHNOLOGY CO., LTD. as at and for the years ended December 31, 2020 and 2019.

Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the consolidated 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 consolidated 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 consolidated company's financial reporting process.

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

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

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

I. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

II. 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 consolidated company's internal control.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

IV. 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 consolidated 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated company to cease to continue as a going concern.

V. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the consolidated 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 consolidated financial statements of 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

	Wan-Yuan You
Certified public accountant :	
	Qian-Hui Lu
Securities Competent Authority :	(88) Taiwan-Finance-Securities-VI-18311
Approval Document No.	Jin-Guan-Zheng-Shen-Zi No. 1040007866

February 25, 2021

APAQ Technology Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

Years ended on December 31, 2020 and 2019

Unit: NT$ thousand

	Assets	2020.12.31 Amount	%	2019.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents [Note VI(I)]	$ 683,514	17	700,953	19
1120	Financial assets at fair value through other comprehensive income - current [Note VI(II)]	138,474	4	143,891	4
1150	Notes receivable [Note VI(III)]	51,034	1	87,461	2
1170	Accounts receivable [Note VI(III)]	984,323	24	780,770	22
1180	Accounts receivable - related parties [Notes VI(III) & VII]	25,406	1	22,724	-
1310	Inventories, net [Note VI(IV)]	544,367	13	390,840	11
1476	Other financial assets - current [Note VI(VIII)]	-	-	37	-
1479	Other current assets [Note VI (IX)]	55,156	1	30,746	1
		2,482,274	61	2,157,422	59
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current [Note VI(II)]	136,944	3	117,349	3
1550	Investments accounted for under the equity method [Note VI(V)]	45,737	1	45,174	1
1600	Property, plant and equipment [Note VI(VI)]	1,183,327	30	1,176,196	32
1755	Right-of-use assets [Note VI(VII)]	37,627	1	30,967	2
1780	Intangible assets [Note VI(X)]	36,796	1	37,259	1
1840	Deferred income tax assets [Note VI(XV)]	45,859	1	54,726	1
1984	Other financial assets - non-current [Notes VI(VIII) & VIII]	26,351	1	25,458	1
1990	Other non-current assets [Note VI(IX)]	41,682	1	9,562	-
		1,554,323	39	1,496,691	41
	Total assets	$ 4,036,597	100	3,654,113	100

	Liabilities and Equity	2020.12.31 Amount	%	2019.12.31 Amount	%
	Current liabilities:				
2100	Short-term loans [Note VI(XI)]	$ 865,000	21	924,840	25
2170	Accounts payable	430,730	11	307,178	9
2180	Accounts payable - related parties [Note VII]	2,319	-	4,968	-
2201	Payroll and bonus payable	114,188	3	79,378	2
2213	Payable on equipment	24,001	1	14,419	-
2280	Lease liabilities - current [Note VI(XIII)]	9,001	-	6,113	-
2320	Long-term liabilities due within one year [Note VI(XII)]	248,676	6	2,095	-
2399	Other current liabilities	145,562	4	92,973	3
		1,839,477	46	1,431,964	39
	Non-current liabilities:				
2530	Bonds payable [Note VI(XII)]	-	-	243,423	7
2580	Lease liabilities - non-current [Note VI(XIII)]	17,782	-	13,739	-
		17,782	-	257,162	7
	Total Liabilities	1,857,259	46	1,689,126	46
	Equity [Note VI(XII) & (XVI)]:				
3100	Share capital	845,248	21	845,011	23
3200	Capital surplus	561,362	14	560,800	15
3300	Retained earnings	858,029	21	680,939	19
3400	Other equity	(85,301)	(2)	(121,763)	(3)
	Total equity	2,179,338	54	1,964,987	54
	Total liabilities and equity	$ 4,036,597	100	3,654,113	100

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-Dong Lin Accounting Manager: Pei-Ling Li

APAQ Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended on December 31, 2020 and 2019

Unit: NT$ thousands

		2020		2019	
		Amount	%	Amount	%
4110	Net sales revenue [Notes VI(XVIII) & VII]	$ 2,384,625	100	2,002,841	100
5110	Cost of goods sold [Notes VI(IV), (XIII), (XIV), (XIX) & VII]	1,701,353	71	1,540,718	77
5950	Gross profit	683,272	29	462,123	23
6000	Operating expenses [Notes VI(XIII), (XIV), (XIX) & VII]:				
6100	Selling expenses	82,398	3	79,652	4
6200	Administrative expenses	143,270	6	120,164	6
6300	Research and development expenses	70,706	3	54,256	3
	Total operating expenses	296,374	12	254,072	13
6900	Operating income	386,898	17	208,051	10
7000	Non-operating income and expenses:				
7020	Other gains and losses [Notes VI(XII) & (XX)]	39,314	2	11,521	1
7050	Finance costs [Notes VI(XII), (XIII) & (XX)]	(16,331)	(1)	(25,956)	(1)
7100	Interest income [Notes VI(XX)]	2,153	-	5,795	-
7230	Foreign exchange gain (loss) [Note VI(XXI)]	(68,138)	(3)	(8,436)	-
7370	Share of profit or loss of associates accounted for under the equity method [Note VI(V)]	1,528	-	1,227	-
	Non-operating income and expenses, net	(41,474)	(2)	(15,849)	-
7900	Income before income tax	345,424	15	192,202	10
7950	Less: Income tax expense [Note VI(XV)]	83,809	4	53,131	3
	Net income	261,615	11	139,071	7
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8316	Unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income	8,178	-	(13,048)	(1)
	Total of items that may not be reclassified subsequently to profit or loss	8,178	-	(13,048)	(1)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	35,355	1	(68,304)	(3)
8399	Less: Income tax related to items that may be reclassified [Note VI(XV)]	(7,071)	-	13,661	1
	Total of items that may be reclassified subsequently to profit or loss	28,284	1	(54,643)	(2)
8300	Other comprehensive income, net of tax	36,462	1	(67,691)	(3)
	Total comprehensive income	$ 298,077	12	71,380	4
	Earnings per share (Unit: NT$) [Note VI(XVII)]				
9750	Basic earnings per share	$	3.10		1.66
9850	Diluted earnings per share	$	2.96		1.61

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-Dong Lin Accounting Manager: Pei-Ling Li

APAQ Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

Years ended on December 31, 2020 and 2019

Unit: NT$ thousand

	Share capital				Retained earnings				Other equity items				
	Share capital - common stocks	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign operations	Gain (loss) on equity instruments at fair value through other comprehensive income	Total	Treasury stocks	Total equity
Balance as of January 1, 2019	$ 844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Net income	-	-	-	-	-	-	139,071	139,071	-	-	-	-	139,071
Other comprehensive income	-	-	-	-	-	-	-	-	(54,643)	(13,048)	(67,691)	-	(67,691)
Total comprehensive income	-	-	-	-	-	-	139,071	139,071	(54,643)	(13,048)	(67,691)	-	71,380
Earnings appropriation and distribution:													
Appropriation of legal reserve	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Transfer of treasury stocks to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Conversion of convertible bonds	-	592	592	1,389	-	-	-	-	-	-	-	-	1,981
Buyback of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	2,873	2,873	-	(2,873)	(2,873)	-	-
Balance as of December 31, 2019	844,419	592	845,011	560,800	125,760	51,199	503,980	680,939	(114,755)	(7,008)	(121,763)	-	1,964,987
Net income	-	-	-	-	-	-	261,615	261,615	-	-	-	-	261,615
Other comprehensive income	-	-	-	-	-	-	-	-	28,284	8,178	36,462	-	36,462
Total comprehensive income	-	-	-	-	-	-	261,615	261,615	28,284	8,178	36,462	-	298,077
Earnings appropriation and distribution:													
Appropriation of legal reserve	-	-	-	-	14,195	-	(14,195)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	-	70,564	(70,564)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	-	-	(84,525)	(84,525)	-	-	-	-	(84,525)
Conversion of convertible bonds	829	(592)	237	562	-	-	-	-	-	-	-	-	799
Balance as of December 31, 2020	$ 845,248	-	845,248	561,362	139,955	121,763	596,311	858,029	(86,471)	1,170	(85,301)	-	2,179,338

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng　　Manager: Shi-Dong Lin　　Accounting Manager: Pei-Ling Li

APAQ Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended on December 31, 2020 and 2019

Unit: NT$ thousands

	2020	2019
Cash flows from operating activities:		
Income before income tax for the period	$ 345,424	192,202
Adjustments:		
Income and expense items:		
Depreciation	204,253	184,418
Amortization	4,536	4,359
Net loss on financial assets and liabilities at fair value through profit or loss	-	52
Interest expense	16,331	25,956
Interest income	(2,153)	(5,795)
Dividend income	(3,012)	(8,873)
Loss on market value decline and obsolete and slow-moving inventories	-	1,500
Share of corporate profit recognized under the equity method	(1,528)	(1,227)
Loss on disposal of property, plant and equipment	249	1,410
Other non-cash expense (gain) items, net	758	132
Total income and expense items	219,434	201,932
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(156,802)	(313,833)
Inventories	(145,314)	209,250
Other operating assets	(23,691)	68,144
Accounts payable (including related parties)	115,144	124,464
Other operating liabilities	29,030	27,469
Total adjustments	37,801	317,426
Cash generated from operations	383,225	509,628
Interest received	2,153	5,795
Cash Dividends received	3,012	8,873
Interest paid	(11,952)	(22,723)
Income tax paid	(25,375)	(108,274)
Net cash generated by operating activities	351,063	393,299
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income - return of capital due to capital reduction	2,000	-
Disposal of financial assets at fair value through other comprehensive income - current-	-	82,862
Financial assets at fair value through other comprehensive gains and losses - non-current-	(8,000)	-
Disposal of financial assets measured at fair value through other comprehensive income - non-current-	-	7,500
Acquisition of property, plant and equipment	(169,543)	(152,036)
Disposal of property, plant and equipment	-	3
Acquisition of intangible assets	(4,062)	-
Decrease (Increase) in other financial assets	(556)	697
Increase in other non-current assets	(8,813)	(515)
Increase in prepayments for business facilities	(30,984)	-
Net cash used in investing activities	(219,958)	(61,489)
Cash flows from financing activities:		
Increase in short-term loans	380,000	362,580
Repayment of short-term loans	(439,236)	(537,040)
Repayment for bonds due	(1,300)	-
Repayment of lease principal	(9,043)	(5,727)
Cash dividends paid	(84,525)	(83,184)
Costs for buyback of treasury stocks	-	(13,520)
Transfer of treasury stocks to employees	-	38,055
Net cash used in financing activities	(154,104)	(238,836)
Effect of exchange rate changes	5,560	(27,730)
Increase (decrease) in cash and cash equivalents	(17,439)	65,244
Cash and cash equivalents at beginning of period	700,953	635,709
Cash and cash equivalents at end of period	$ 683,514	700,953

(See the attached notes to consolidated financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-Dong Lin Accounting Manager: Pei-Ling Li

APAQ Technology Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
2020 and 2019
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(I). Company History

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as the "Company") was established on December 23, 2005 with the registered address at 4F., No. 2 and 6, Kedong 3rd Rd., Zhunan Township, Miaoli County. The Company's stock has been listed and traded at TWSE since December 9, 2014.

The core business of the Company and its subsidiaries (hereinafter referred to as the "consolidated company") focuses on the research, development, manufacturing and sales of electronic components.

(II). Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved and issued on February 25, 2021, by the Board of Directors.

(III). Application of New and Amended Standards and Interpretations

A. Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission

Since January 1, 2020, the consolidated company has adopted below newly amended IFRSs which does not have a material impact on the consolidated financial statements.

Amendments to IFRS 3 "Definition of a Business"

Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Amendment to IAS 1 and IAS 8 "Definition of Material"

Amendments to IFRS 16 "COVID-19-related Rent Concessions"

B. Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but yet to have adopted by the Company

The consolidated company has evaluated that the aforementioned amendments effective on January 1, 2021, do not have a material impact on the consolidated financial statements.

Amendments to IFRS 4 "Defer the Effective Date of IFRS 9, Financial Instruments"

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

C. Effect of IFRSs issued by IASB but not yet endorsed by the FSC

The standards and interpretations released and amended by the International Accounting Standards Board (hereinafter referred to as "IASB") but not yet endorsed by FSC with potential impact to the consolidated company are as follows:

New or amended standards	Major amendments	Effective Date Issued by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	The amendments are to promote consistency in applying the standards by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current in the balance sheet. The amendments also clarify the classification rules for debts companies might settle by converting them into equity.	2023.1.1
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments clarify that costs incurred in fulfilling a contract should include the following costs that are directly related to the contract: ・The incremental costs of fulfilling the contract - e.g., direct labor and raw materials; and ・An allocation of other costs that relate directly to fulfilling the contracts - e.g. the allocation of depreciation expense of property, plant and equipment used in fulfilling the contract.	2022.1.1

The consolidated company is in the process of evaluating the impact on its financial position and performance by adopting the standards and interpretations mentioned above, and will disclose relevant impacts when the evaluation is completed.

The consolidated company has evaluated that the below standards released and amended but not yet endorsed do not have a material impact on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

IFRS 17 "Insurance Contracts" and Amendments to IAS 17

Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"

Annual Improvements to IFRSs 2018-2020 cycle-

Amendments to IFRS 3 "Reference to the Conceptual Framework"

(IV). Summary of Significant Accounting Policies

The significant accounting policies applied for the consolidated financial report is as follows. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A. Statement of Compliance

The consolidated financial statements have been prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Preparation Regulations" and IFRS, IAS, IFRIC interpretations and SIC interpretations endorsed and issued into effect by the FSC (hereinafter referred to as "IFRSs").

B. Basis of Preparation

1. Basis of measurement

   Except for the financial assets at fair value through other comprehensive income, the consolidated financial statements have been prepared under the historical cost convention.

2. Functional currency and presentation currency

   The consolidated company takes the currency of the primary economic environment in which each entity operates as the functional currency. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. The unit for all amounts expressed are in thousands of NTD unless otherwise stated.

C. Basis of consolidation

1. Basis for preparation of consolidated financial statements:

   All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by the Company.

   The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

   Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries. Inter-company transactions, balances and unrealized gains or losses on transactions between entities within the consolidated companies are eliminated while compiling the consolidated financial statements.

   Accounting policies of subsidiaries have been adjusted so that they are consistent with that of the consolidated company.

   Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Business Activities	Percentage of Ownership 2020.12.31	Percentage of Ownership 2019.12.31
The Company	APAQ Investment Limited (APAQ Samoa)	Investment holding company	100%	100%
APAQ Samoa	Apaq Technology (Wuxi) Co., Ltd. (Apaq Wuxi)	Production and sales of electronic products	100%	100%
The Company	Apaq Technology (Hubei) Co., Ltd. (Apaq Hubei)	Production and sales of electronic products	100%	100% (Note)

Note: The Company invested and established Apaq Hubei in September 2019. Apaq Hubei was included in the consolidated financial statements since the date of its investment.

3. Subsidiaries not included in the consolidated financial statements: None.

D. Foreign currency

1. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are converted into functional currency at the end of each subsequent date of financial reporting (hereinafter referred to as the reporting date) at the exchange rate on that day.

Foreign currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Foreign currency exchange differences arising from conversion are generally recognized in profit or loss, but equity instruments designated as fair value through other comprehensive income are recognized in other comprehensive income.

2. Foreign operations

Assets and liabilities of foreign operations are converted to NTD (representation currency of the consolidated financial statements) at the exchange rate on the reporting date. All income and expense items are converted to NTD at the current average exchange rate, and the difference is recognized as other comprehensive income.

E. Classification of current and non-current items

Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

1. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

2. Assets held mainly for trading purposes;
3. Assets that are expected to be realized within twelve months from the balance sheet date; or
4. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:

1. Liabilities that are expected to be paid off within the normal operating cycle;
2. Liabilities arising mainly from trading activities;
3. Liabilities that are to be paid off within twelve months from the balance sheet date; or
4. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

F. Cash and cash equivalents

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

G. Financial instruments

The accounts receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the consolidated company became a party to the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than accounts receivable that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. The accounts receivable that do not contain a significant financing component are measured at transaction prices.

1. Financial assets

For the purchase or sale of financial assets that conforms to customary transactions, the consolidated company consistently treats all purchases and sales of financial assets classified in the same manner based on the transaction date or delivery date.

Financial assets are classified into the following categories: measured at amortized cost and measured at fair value through other comprehensive income.

The consolidated company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets from the next reporting period.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is subsequently recognized at their initial value, plus any directly attributable transaction costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency profit or loss and impairment loss are recognized as profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

On initial recognition of an equity investment that is not held for trading, the consolidated company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

An investment through equity instrument is subsequently measured at fair value. Dividend income is recognized as equity, and the remaining net profit or loss is recognized as other comprehensive profit or loss that is not reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the consolidated company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(3) Impairment of financial assets

The consolidated company recognizes loss allowances for ECL on financial assets measured at amortized cost.

The consolidated company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the consolidated company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the consolidated company's historical experience and informed credit assessment as well as forward-looking information.

The consolidated company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.-

The consolidated company assumes that the credit risk on a financial asset has increased significantly if it is past due.

The consolidated company considers a financial asset to be in default when the financial asset is more than 90 days past due and the borrower is unlikely to pay its credit obligations to the consolidated company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the consolidated company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the consolidated company in accordance with the contract and the cash flows that the consolidated company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

The consolidated company evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset.

The allowance loss of financial assets measured through amortized cost is deducted from the carrying amount of assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The consolidated company analyzes the timing and amount of the write-off individually on the basis of whether it can reasonably be expected to be recovered. The consolidated company expects that the amount written off will not be materially reversed. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the consolidated company's procedures for recovery of amounts due.

(4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash flows from the assets expire, or when the consolidated company transfers substantially all the risks and rewards of ownership of the financial assets, or when the consolidated company has neither transferred nor retained ownership of all risks and rewards or control over said financial assets.

When the consolidated company signs a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equities

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

(2) Equity transactions

Equity instruments refer to any contracts containing the consolidated company's residual interest after subtracting liabilities from assets. The equity instrument issued by the consolidated company shall be recognized by the payment net of the direct cost of issuance.

(3) Treasury stock

When buying back the equity instruments recognized by the consolidated company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury stocks. For subsequent sales or re-issuance of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital reserve is insufficient for the offsetting).

(4) Composite financial instruments

The composite financial instruments issued by the consolidated company refer to corporate bonds for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value.

For the components of composite financial instruments liability, the originally recognized amount is measured at fair value through similar liability of equity conversion option. For the components of equity, the originally recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity.

After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest rate method. The components of composite financial instruments will not be re-measured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

(5) Financial liabilities

Financial liabilities are classified as amortized costs or measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value. All related net benefits and losses, including any interest expenses, are recognized as profit or loss.

Other financial liabilities are measured at amortized cost by the effective interest method. Interest income and foreign currency profit or loss are recognized as profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(6) Derecognition of financial liabilities

The consolidated company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. When the terms of financial liabilities are modified and the cash flow of the modified liabilities is significantly different, the original financial liabilities are excluded and the new financial liabilities are recognized at fair value based on the revised terms.

When derecognizing financial liabilities, the difference between the carrying amount of a financial liability and the consideration paid (including all transferred non-cash assets or liabilities) is recognized in non-operating income and expenses.

(7) Offsetting of financial assets and liabilities

The consolidated company presents financial assets and liabilities on a net basis when the consolidated company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Derivative financial instruments

Embedded derivatives are treated separately from the main contract when they meet certain conditions and the main contract is not a financial asset. Derivative instruments are initially measured at fair value. Subsequent measurements are based on fair value, and the resulting benefits or losses are directly recognized as profit or loss.

H. Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

I Investments in associates

Associates refer to the consolidated company holding 20% to 50% of the voting rights of the investee, or less than 20% but having a significant influence on its financial and operating policies without obtaining control. They are evaluated under the equity method.

Under equity method, they are recognized through cost in original acquisition, and investment costs includes transaction costs. The carrying amount of invested associates includes identified goodwill at the time of investment less any cumulative impairment.

The consolidated financial statements include the consolidated company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the consolidated company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transaction between the merged consolidated company and the associate shall be recognized in the financial statements only within the scope of the interests of non-related party investors in the associate.

When the consolidated company's share of losses exceeds its interest in associates, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the consolidated company has a present legal or constructive obligation or has made payments on behalf of the investees.

J. Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

As the useful life of property, plant and equipment varies, they are deemed as independent items (main components) for treatment.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be recognized as non-operating income and expenses.

2. Subsequent cost

Subsequent cost is only capitalized when the future economic benefits are likely to flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of assets minus the residual value, and the straight-line method is recognized in profit or loss within the estimated useful life of each component.

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

(1) Buildings: 10-20 years

(2) Machinery and instruments: 4-8 years

(3) Other equipment and others: 4-8 years

Buildings constitute mainly buildings, air-conditioning equipment and related engineering. Each constituent is depreciated based on its useful life of 20 years and 10 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted when necessary.

K. Lease

1. Lease judgment

The consolidated company evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease. In order to evaluate whether the contract is a lease, the consolidated company evaluates the following items:

(1) The contract involves the use of an identified asset that is explicitly specified in the contract or implied by the time when it is available for use. Its entity can distinguish or represent substantially all of its production capacity. If the supplier has substantive rights to replace the asset, the asset is not an identified asset; and

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

(3) To obtain the right to lead the use of identified assets when one of the following conditions is met:

- The client has the right to decide the use of the identified assets and the purpose of use throughout the period of use.
- Relevant decisions about the way of use and purpose of the asset are made in advance, and:
  - The client has the right to operate the asset during the entire use period, and the supplier does not have the right to change the operation instructions; or
  - The way in which the client plans the asset has pre-determined the way and purpose of use for the entire period of use.

Upon the conclusion of the lease or when reassessing whether the contract includes a lease, the consolidated company allocates the consideration in the contract to the individual lease components on the basis of the relative individual price. However, when leasing land and buildings, the consolidated company chooses not to distinguish between non-lease components and treats the lease component and non-lease component as a single lease component.

2. Lessee

The consolidated company recognizes the right-of-use asset and lease liability upon the inception of the lease. The right-of-use asset is initially measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the inception of the lease and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any lease incentive.

The right-of-use asset is subsequently depreciated on a straight-line basis between the inception of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the consolidated company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have not been paid at the inception of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the consolidated company is used. Generally speaking, the consolidated company adopts the incremental borrowing rate as the discount rate.

Lease payments in the measurement of lease liabilities include:

(1) Fixed benefits, including substantial fixed benefits;

(2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;

(3) The residual value guarantee expected to be paid; and

(4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and the amount is measured when the following occurs:

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

(2) Changes in the residual value guarantee expected to be paid;

(3) Changes in the evaluation of the underlying asset purchase option;

(4) Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;

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

When the lease liability is remeasured due to changes in the aforementioned indicator or rate used to determine lease payments, changes in the residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

The consolidated company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

For the lease of low-value underlying assets leased by the office premises, the consolidated company chooses not to recognize the right-of-use assets and lease liabilities, but the related lease payments are recognized on a straight-line basis as expenses during the lease period.

L. Intangible assets

1. Recognition and measurement

Expenditures related to research activities are recognized as profit or loss when incurred.

Development expenditures are only capitalized when they can be reliably measured, when the technical or commercial feasibility of the product or process has been achieved, when future economic benefits are likely to flow into the consolidated company, and when the consolidated company intends and has sufficient resources to complete the development for use or for sale. Other development expenditures are recognized in profit or loss when incurred. After the initial recognition, capitalized development expenditures are measured by its cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3. Amortization

Except for goodwill, amortization is calculated based on the cost of assets less the estimated residual value. Since the intangible assets are ready for use, the straight-line method is recognized as profit or loss within their estimated useful life.

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

(1) Computer software: 3 years

(2) Royalties: 12 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be adjusted when necessary.

M. Impairments of non-financial assets

The consolidated company assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If there is any sign of impairment, an estimate is made of its recoverable amount. An impairment test is conducted on goodwill on a yearly basis.

For the purpose of impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect of the merger.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, and its value in use. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

Impairment loss is recognized immediately in profit or loss, and first reduces the carrying amount of the goodwill of the cash-generating unit, and then reduces the carrying amount of each asset in proportion to the carrying amount of other assets in the unit.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will only be reversed if they do not exceed the carrying amount (less depreciation or amortization) determined when no impairment loss had been recognized for the asset in the previous year.

N. Revenue from contract with customers

Revenue is measured based on the consideration to which the consolidated company expects to be entitled in exchange for transferring goods. The consolidated company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the consolidated company's main types of revenue are explained below:

1. Sales of goods

The consolidated company engages in business such as research, development, production, manufacturing and sales of electronic components. The consolidated company recognizes revenue when control of the products has transferred. The control of the products has transferred when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the consolidated company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the consolidated company has a right to an amount of consideration that is unconditional.

2. Financial components

The consolidated company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the consolidated company does not adjust any of the transaction prices for the time value of money.

O. Government Grants

The consolidated company recognized government grants with no conditions attached as other income when the grants became receivable. Government grants intended to compensate expenses incurred or losses of the consolidated company were recognized in profit or loss in the same period as relevant expenses on a systematic basis.

P. Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as expenses for the periods during which services are rendered by employees.

2. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses for the periods during which services are rendered. A liability is recognized for the amount expected to be paid if the consolidated company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Q. Share-based payment transactions

Equity-delivered share-based payment agreement is recognized at the fair value of the grant date with a corresponding increase in equity during the vesting period of the reward. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share- based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

R. Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date, as well as tax adjustments related to prior years. The amount is based on the statutory tax rate at the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
   (1) levied by the same taxing authority; or
   (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

   A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

S. Earnings per Share

The consolidated company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The consolidated company's dilutive potential ordinary shares include convertible bonds payable and employee remuneration through the issuance of shares.

T. Operating segment information

An operating segment is a component of the consolidated company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the consolidated company). Operating results of the operating segment are regularly reviewed by the consolidated company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(V). Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When preparing the consolidated financial statements according to the Preparation Regulations and the IFRSs endorsed by the FSC, the management has to make judgements, estimates and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes and expenses. There may be differences between actual results and estimates.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

Accounting policies involve significant judgments. Valuation of inventories has a significant impact on the consolidated financial statements.

Inventories are stated at the lower of cost or net realizable value, and the consolidated company uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note

VI(IV) for further description of the valuation of inventories.

The accounting policy and disclosure of the consolidated company include adopting fair value to measure financial, non-financial assets and liabilities. The consolidated company's finance department determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The consolidated company also periodically assesses the evaluation model, performs retrospective tests, and updates inputs together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

The consolidated company evaluates the assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used and is categorized as follows:

A. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For the transition among different levels of fair value, the consolidated company shall recognize it on the reporting date.

For the assumption used in fair value measurement, please refer to Note VI (XXI) of the financial instruments.

VI. Details of Significant Accounts

A. Cash and cash equivalents

		2020.12.31	2019.12.31
Cash and demand deposit	$	639,866	572,028
Time deposits		43,648	128,925
Cash and cash equivalents	$	683,514	700,953

Please refer to Note VI(XXI) for currency risk and sensitivity analysis disclosure of the financial assets and liabilities.

Please refer to note VI(XXII) for the disclosure of credit risks.

B. Financial assets at fair value through other comprehensive income

1. Current:

		2020.12.31	2019.12.31
Domestic listed stocks	$	138,474	143,891

The consolidated company sold a part of financial assets at fair value through other comprehensive income - current for the year ended December 31, 2019. At the time of disposal, the fair value was NT$82,862 thousand and the accumulated gains on disposal amounted to NT$10,373 thousand, which was transferred from other equity to retained earnings.

2. Non-current:

	2020.12.31	2019.12.31
Domestic and foreign unlisted common stocks -		
Foxfortune Technology Ventures Limited	$ 52,996	42,551
Inpaq Korea Co., Ltd.	1,418	701
Element I Venture Capital Co., Ltd.	16,259	20,125
Kuan Kun Electronic Enterprise Co., Ltd.	57,725	49,468
AICP Technology Corporation	1,582	4,504
Yuanxin Semiconductor Co., Limited	6,964	-
	$ 136,944	117,349

Information on major equity investments denominated in foreign currencies as of the reporting date is as follows:

	2020.12.31			2019.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD	$ 1,017	28.48	28,964	1,017	29.98	30,490

Equity instruments held by the consolidated company are strategic long-term investments and not for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

The consolidated company acquired shares from Yuanxin Semiconductor Co., Limited for the year ended December 31, 2020 with the acquisition price of NT$8,000 thousand.

Element I Venture Capital Co., Ltd. had resolved to carry out capital reduction in the board meeting in June 2020 and returned capital of NT$2,000 thousand to the consolidated company.

The consolidated company sold part of its non-current financial assets at fair value through other comprehensive income for the year ended December 31, 2019. At the time of disposal, the fair value was NT$7,500 thousand, and the cumulative disposal loss was NT$7,500 thousand, which had been transferred from other equity to retained earnings.

The consolidated company recognized dividend income of NT$3,012 thousand and NT$8,873 thousand respectively for the aforementioned investments in equity instruments designated at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, respectively.

C. Notes and accounts receivable (including related parties)

	2020.12.31	2019.12.31	2019.1.1
Notes receivable	$ 51,034	87,461	9,393
Accounts receivable	984,323	780,770	483,054
Receivables from related parties	25,406	22,724	84,675
	$ 1,060,763	890,955	577,122

The consolidated company adopts a simplified method to estimate the expected credit loss for all receivables (including related parties), that is, using the lifetime expected credit loss. For this purpose, these receivables are categorized based on common credit risk characteristics of customers' capability to pay for amount due in accordance with the contracts with forward-looking information incorporated, including general economic and related industry information.

The expected credit losses of the consolidated company's receivables (including related parties) are analyzed as follows:

	2020.12.31		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	$ 1,058,612	0%	-
Overdue for 1-90 days	2,151	0%	-
Total	$ 1,060,763		-

	2019.12.31		
	Carrying amount of accounts receivable (including related parties)	Loss Ratio of Lifetime Expected Credit Loss	Allowance for Lifetime Expected Credit Loss
Not past due	$ 880,459	0%	-
Overdue for 1-90 days	10,496	0%	-
Total	$ 890,955		-

No impairment loss has been provided for receivables (including related parties) for the years ended December 31, 2020 and 2019, respectively.

Please refer to Note VI(XXI) for details of remaining credit risk information.

D. Inventories, net

	2020.12.31	2019.12.31
Raw materials	$ 194,351	125,015
Work in process and semi-finished products	61,212	49,683
Finished goods and commodity	288,804	216,142
	$ 544,367	390,840

The details of operating costs were as follows:

	2020	2019
Cost of goods sold	$ 1,701,353	1,539,223
Loss on market value decline and obsolete and slow-moving inventories	-	1,500
Income from sale of scraps	-	(5)
	$ 1,701,353	1,540,718

E. Investments accounted for under the equity method

The summarized financial information of the consolidated company's associates accounted for under the equity method is as follows and the amount is included in the consolidated financial statements of the consolidated company:

	2020.12.31	2019.12.31
The carrying amount of equity of individually immaterial associates at end of period	$ 45,737	45,174

Share attributable to the consolidated company:

	2020	2019
Net income	$ 1,528	1,227
Other comprehensive income	-	-
Total comprehensive income	$ 1,528	1,227

F. Property, plant and equipment (PP&E)

	Buildings	Machinery and equipment	Other equipment and others	Equipment to be tested	Total
Cost:					
Balance as of January 1, 2020	$ 353,940	1,489,109	114,134	52,619	2,009,802
Addition	3,501	63,232	26,954	94,314	188,001
Disposals and obsolescence	-	(1,071)	(995)	-	(2,066)
Reclassification	-	28,436	(11,027)	(18,167)	(758)
Effect of Exchange	5,716	25,205	1,671	3,161	35,753
Balance as of December 31, 2020	$ 363,157	1,604,911	130,737	131,927	2,230,732
Balance as of January 1, 2019	$ 368,584	1,413,492	90,793	106,163	1,979,032
Addition	-	73,240	12,287	26,470	111,997
Disposals and obsolescence	-	(3,395)	(4,952)	-	(8,347)
Reclassification	-	64,751	18,368	(78,088)	5,031
Effect of Exchange	(14,644)	(58,979)	(2,362)	(1,926)	(77,911)
Balance as of December 31, 2019	$ 353,940	1,489,109	114,134	52,619	2,009,802
Depreciation:					
Balance as of January 1, 2020	$ 113,230	666,892	53,484	-	833,606
Depreciation for the current period	24,173	151,589	19,014	-	194,776
Disposals and obsolescence	-	(945)	(872)	-	(1,817)
Effect of Exchange	2,954	16,934	952	-	20,840
Balance as of December 31, 2020	$ 140,357	834,470	72,578	-	1,047,405
Balance as of January 1, 2019	$ 95,175	559,623	45,016	-	699,814
Depreciation for the current period	22,745	141,417	14,147	-	178,309
Disposals and obsolescence	-	(2,512)	(4,422)	-	(6,934)
Effect of Exchange	(4,690)	(31,636)	(1,257)	-	(37,583)
Balance as of December 31, 2019	$ 113,230	666,892	53,484	-	833,606
Carrying Amount:					
December 31, 2020	$ 222,800	770,441	58,159	131,927	1,183,327
January 1, 2019	$ 273,409	853,869	45,777	106,163	1,279,218
December 31, 2019	$ 240,710	822,217	60,650	52,619	1,176,196

G. Right-of-use assets

	Land use rights	Buildings	Transportation equipment	Total
Cost of right-of-use assets:				
Balance as of January 1, 2020	$ 11,497	24,497	1,082	37,076
Addition	-	15,974	-	15,974
Deduction	-	(531)	-	(531)
Effect of foreign exchange rate changes	181	-	-	181
Balance as of December 31, 2020	$ 11,678	39,940	1,082	52,700
Balance as of January 1, 2019	$ 11,974	18,413	1,082	31,469
Addition	-	6,084	-	6,084
Effect of foreign exchange rate changes	(477)	-	-	(477)
Balance as of December 31, 2019	$ 11,497	24,497	1,082	37,076
Depreciation of right-of-use assets:				
Balance as of January 1, 2020	$ 284	5,342	483	6,109
Depreciation for the current period	276	8,718	483	9,477
Deduction	-	(531)	-	(531)
Effect of foreign exchange rate changes	18	-	-	18
Balance as of December 31, 2020	$ 578	13,529	966	15,073
Balance as of January 1, 2019	$ -	-	-	-
Depreciation for the current period	284	5,342	483	6,109
Balance as of December 31, 2019	$ 284	5,342	483	6,109
Carrying amount of right-of-use assets:				
December 31, 2020	$ 11,100	26,411	116	37,627
December 31, 2019	$ 11,213	19,155	599	30,967

H. Other financial assets - current and non-current

	2020.12.31	2019.12.31
Refundable deposits	$ 26,351	25,458
Other receivables	-	37
	$ 26,351	25,495

I. Other assets - current and non-current

	2020.12.31	2019.12.31
Credits of business tax and incremental value tax	$ 38,012	17,677
Prepayments for business facilities deposit	30,104	7,182
Prepaid expenses	24,971	-
Prepayment	513	721
Deferred expenses and others	3,238	14,728
	$ 96,838	40,308

J. Intangible assets

		Computer software	Royalty fees	Total
Cost:				
Balance as of January 1, 2020	$	4,573	45,038	49,611
Separate acquisition		4,062	-	4,062
Effect of exchange rate changes		27	-	27
Balance as of December 31, 2020	$	8,662	45,038	53,700
Balance as of January 1, 2019	$	4,643	45,038	49,681
Effect of exchange rate changes		(70)	-	(70)
Balance as of December 31, 2019	$	4,573	45,038	49,611
Amortization:				
Balance as of January 1, 2020	$	4,220	8,132	12,352
Amortization for the period		783	3,753	4,536
Effect of exchange rate changes		16	-	16
Balance as of December 31, 2020	$	5,019	11,885	16,904
Balance as of January 1, 2019	$	3,672	4,379	8,051
Amortization for the period		606	3,753	4,359
Effect of exchange rate changes		(58)	-	(58)
Balance as of December 31, 2019	$	4,220	8,132	12,352
Carrying Amount:				
December 31, 2020	$	3,643	33,153	36,796
January 1, 2019	$	971	40,659	41,630
December 31, 2019	$	353	36,906	37,259

K. Short-term loans

		2020.12.31	2019.12.31
Unsecured bank loans	$	865,000	924,84
Unused facilities	$	981,352	365,14
Interest rate range		0.88%~ 1.03%	1.1%~ 3.56198%

L. Convertible bonds payable

1. The Company issued the first domestic unsecured convertible corporate bonds on March 1, 2017. The issuance period is three years. Relevant information in the financial statements is as follows:

		2020.12.31	2019.12.31
Total amount of convertible corporate bonds issued	$	300,000	300,000
Less: Unamortized bonds payable discount		-	(5)
Less: Accumulated converted common stocks		(298,700)	(297,900)
Less: Repayment upon maturity		(1,300)	-
Balance of bonds payable at end of period (recognized under long-term liabilities due within one year)	$	-	2,095

		2020	2019
Embedded derivatives - profit/loss of redemption rights remeasured at fair value (recognized as valuation losses of financial assets)	$	-	2
Interest expense	$	3	88

The Company's first unsecured convertible corporate bonds matured on March 1, 2020, and the TPEx trading was terminated on the business day following the maturity date. According to Article 6 of the Company's issuance and conversion rules, the Company will make a one-time cash redemption payment based on the remaining face value of the bonds upon maturity.

The conversion price of the first-time issuance of unsecured convertible corporate bonds was NT$33.8 for both March 1, 2020 (maturity date) and December 31, 2019.

When the Company issues the above-mentioned converted corporate bonds, it separates the share options and liabilities, and separately recognizes equity and liabilities. The breakdown is as follows:

Item	Amount
Converted corporate bond issuance	$ 300,000
Fair value of embedded non-equity derivatives at the time of issuance	180
Issue cost	(5,307)
Fair value of corporate bonds at the time of issuance	(279,243)
Equity composition items - stock options (listed in the capital reserve - stock options)	$ 15,630

After separating the above-mentioned embedded derivative instruments, the effective interest rate of the Company's first unsecured conversion of corporate bonds was 2.38%.

Please refer to Note VI(XVI) for the first unsecured conversion of corporate bonds into ordinary shares for the years ended December 31, 2020 and 2019, respectively.

2. The Company issued the second domestic unsecured conversion of corporate bonds on April 27, 2018. The issuance period is three years. The relevant information in the financial statements is as follows:

	2020.12.31	2019.12.31
Total amount of convertible corporate bonds issued	$ 250,000	250,000
Less: Unamortized bonds payable discount	(1,324)	(6,577)
Less: long-term liabilities due within one year	(248,676)	-
Bonds payable at end of period	$ -	243,423

	2020	2019
Embedded derivatives - profit/loss of redemption rights remeasured at fair value (recognized as valuation losses of financial assets)	$ -	50
Interest expense	$ 5,253	5,138

The significant terms of the issuances are as follows:

(1) Conversion price and adjustments:

April 19, 2018 is set as the conversion price base date, and the simple arithmetic average of the closing prices of the common shares of the first, third, and fifth business days of the Company before (excluding) the base day is chosen as the base price before multiplying the base price by 103.38% premium rate to calculate the basis. (Calculated to the NTD jiao and rounded up cent). In the case of ex-equity or ex-dividend before the base date, the closing price of the conversion price to be calculated by sampling shall be the price after deducting equity or dividend; the conversion price shall be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-dividend from the date of decision to the actual date of issue. The conversion price at the time of issuance was NT$63 per share. The conversion price on December 31, 2020 and 2019 were NT$56.2 and NT$58 respectively.

(2) The Company's redemption right for the aforementioned conversion of corporate bonds:

i. The above-mentioned converted corporate bonds shall start one month after the issuance date to forty days before the expiration of the issuance period. When the price reaches more than 30% (inclusive), the Company may notify the creditors within 30 business days thereafter to recover the principal bond of the bond holder in cash according to the denomination of the bond.

ii. From the day following one month after the issuance of the converted corporate bond to forty days before the expiration of the issuance period, if the outstanding balance in circulation is less than 10% of the original issuance amount, the Company may notify the creditors at any time thereafter. The face value of the bond is recovered in cash to the bond holder's principal bond.

When the Company issues the above-mentioned converted corporate bonds, it separates the share options and liabilities, and separately recognizes equity and liabilities. The breakdown is as follows:

Item	Amount
Converted corporate bond issuance	$ 250,000
Fair value of embedded non-equity derivatives at the time of issuance	525
Issue cost	(4,196)
Fair value of corporate bonds at the time of issuance	(234,504)
Equity composition items - stock options (listed in the capital reserve - stock options)	$ 11,825

After separating the above-mentioned embedded derivative instruments, the effective interest rate of the Company's second unsecured conversion of corporate bonds was 2.13%.

The redemption rights of embedded derivatives of unsecured convertible corporate bonds were recognized by the Company as financial assets at fair value through profit or loss - current both amounted for NT$0 on December 31, 2020 and 2019.

M. Lease liabilities

The carrying amount of the consolidated company's lease liability is as follows:

	2020.12.31	2019.12.31
Current	$ 9,001	6,113
Non-current	$ 17,782	13,739

For maturity analysis, please refer to Note VI(XXI) Financial instruments.

	2020	2019
Interest expense on lease liabilities	$ 350	230
Expense for leases of low-value assets	$ 70	75

The amounts recognized in the statements of cash flows are:

	2020	2019
Total cash outflow for lease	$ 9,463	6,032

1. Leasing of houses and buildings

The consolidated company leased houses and buildings as office premises and factory buildings on December 31, 2020 with the period of 1 to 5 years. Some leases include the option to extend for the same period when the lease expires.

Some of the above-mentioned leases include the option to extend. These leases are managed by each region, so the individual terms and conditions agreed are different within the consolidated company. These options are only enforceable by the consolidated company, not the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liability.

2. Other leases

The lease period for leasing office premises of the consolidated company is two years. These leases are for low-value assets, and the consolidated company chooses to apply the exemption recognition requirement instead of recognizing the right-of-use assets and lease liabilities.

N. Employee benefits

The consolidated company allocates 6% of each employee's monthly wages to the personal labor pension account at the Bureau of Labor Insurance, Ministry of Labor in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the consolidated company allocates a fixed amount to the Bureau of Labor Insurance, Ministry of Labor without additional legal or constructive obligation. The consolidated company's pension costs under the defined contribution plan were NT$3,560 thousand and NT$3,170 thousand for the years ended December 31, 2020 and 2019, respectively, and were contributed to the Bureau of Labor Insurance.

In addition, the pension expenses recognized by the foreign subsidiaries for the years ended December 31, 2020 and 2019 in accordance with relevant local laws and regulations were NT$165 thousand and NT$709 thousand respectively.

O. Income Tax

1. Income tax expense

The amount of the consolidated company's income tax expenses for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Current income tax expense (benefit)		
Current income tax expenses	$ 83,478	53,192
Current income tax from adjustment of prior period	(1,465)	324
	82,013	53,516
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	1,796	(385)
Current income tax expenses	$ 83,809	53,131

2. The amount of income tax expense recognized in other comprehensive income was as follows:

	2020	2019
Exchange differences on translation of foreign operations	$ (7,071)	13,661

3. The reconciliation of income tax expenses and income before income tax was as follows:

	2020	2019
Income before income tax	$ 345,424	192,202
Income tax at the Company's domestic tax rate	69,085	38,440
Effect of different tax rates in foreign jurisdictions	9,000	3,903
Additional tax on undistributed earnings	-	3,913
Permanent difference and others	7,189	6,551
Over (under)-provision in prior periods	(1,465)	324
Total	$ 83,809	53,131

4. Deferred tax assets and liabilities

As of December 31, 2020 and 2019, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company plans to use undistributed earnings for permanent investment rather than distribution. The amounts are as follows:

	2020.12.31	2019.12.31
Undistributed earnings from subsidiaries	$ 617,381	486,132
Unrecognized deferred tax liabilities	$ (123,476)	(97,226)

5. Recognized deferred tax assets (liabilities)

Deferred income tax assets

	2019.1.1	Debit (credit) income statement	Debit (credit) other comprehensive income statement	2019.12.31	Debit (credit) income statement	Debit (credit) other comprehensive income statement	2020.12.31
Loss for market price decline and obsolete and slow-moving inventories	$ 419	(300)	-	719	-	-	719
Unrealized expenses	8,493	(10,575)	-	19,068	5,622	-	13,446
Unrealized profit between associates	18,667	15,834	-	2,833	(3,926)	-	6,759
Exchange differences on translation of foreign operations	13,290	-	(13,661)	26,951	-	7,071	19,880
Unrealized exchange loss	-	(4,689)	-	4,689	12	-	4,677
Other	556	90	-	466	88	-	378
	$ 41,425	360	(13,661)	54,726	1,796	7,071	45,859

Deferred income tax liabilities

	2019.1.1	Debit (credit) income statement	Debit (credit) other comprehensive income statement	2019.12.31	Debit (credit) income statement	Debit (credit) other comprehensive income statement	2020.12.31
Unrealized exchange gains	$ (745)	(745)	-	-	-	-	-

6. The ROC income tax authorities have examined the Company's income tax returns through 2018.

P. Capital and other equity

1. Share capital

As of December 31, 2020 and 2019, the authorized capital of the Company amounted to NT$2,000,000 thousand, of which included the amount of NT$60,000 thousand reserved for employee share options; the issued capital amounted to NT$845,248 thousand and NT$845,011 thousand, respectively at NT$10 per share.

The reconciliation for outstanding shares is as follows (expressed in thousands of shares):

	Common Stocks	
	2020	2019
Balance as of January 1	84,502	83,514
Buyback of treasury stocks	-	(330)
Conversion of convertible bonds	23	60
Transfer of treasury stocks to employees	-	1,258
Balance at December 31	84,525	84,502

The Company issued 23 thousand and 60 thousand common stocks for the conversion of corporate bonds for the year ended December 31, 2020 and 2019. As of December 31, 2020, the statutory registration procedures were completed and the stocks were reclassified as share capital - common stocks.

The net increase in capital reserves due to the conversion of corporate bonds for the year ended December 31, 2020 and 2019 was NT$562 thousand and NT$1,389 thousand, respectively.

2. Capital surplus

	2020.12.31	2019.12.31
Share premium	$ 320,766	320,766
Compensation cost of shares retained for employee subscription at cash capital increase	7,852	7,852
Subscription right to convertible corporate bonds	11,890	11,935
Treasury stock transactions	3,642	3,642
Premium from conversion of corporate bonds to common stocks	217,212	216,605
	$ 561,362	560,800

In accordance with the Company Act, realized capital surplus can only be distributed as stocks or cash dividends in accordance with shareholders' original shareholding percentages after offsetting losses. The above-mentioned realized capital surplus includes amount in excess of the face amount during shares issuance and acceptance of bestowal. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

3. Retained earnings

(1) Legal reserve

If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital

(2) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to NT$6,954 thousand. In accordance with Jin-Guan-Zheng-Fa-Zi No. 1010012865 issued by the FSC, the net increase of NT$6,236 thousand in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve generated due to the above-mentioned reasons amounted to NT$6,236 thousand as of December 31, 2020.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

According to the Company's Articles of Incorporation, if the Company shows a year-end profit, it shall firstly make up any accumulated losses. Thereafter, a 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the above-mentioned amounts, together with the balance of the unappropriated retained earnings of the previous year as dividends to shareholders, to be proposed by the Board of Directors to be approved at the shareholders' meeting.

The Company operates in an industry with rapid changes, intensive capital and technologies, and the Company is in a life cycle is in a stage of stable growth. Therefore, it is necessary to retain surplus needed for operational growth and investment. For the moment, the residual dividend policy is adopted. The distribution of shareholder dividends, in cash or stock forms, shall not be lower than 10% of the distributable surplus of the year. The cash dividends shall be no lower than 10% of the total.

The appropriation of earnings of the two most recent years was approved during shareholders' meetings held on June 17, 2020 and June 19, 2019, respectively. Information on dividends appropriated to owners is as follows:

	2019		2018	
	Dividends per share	Amount	Dividends per share	Amount
Dividends distributed to owners of common stocks:				
Cash (NT$)	$ 1	84,525	0.98510218	83,184

The above appropriation of earnings is consistent with the resolutions approved by the Board of Directors. As for the 2020 appropriation of earnings, the Board of Directors would draft a proposal to be resolved at the shareholders' meeting. Information will be available at the Market Observation Post System (MOPS).

4. Treasury stocks

The Company offers treasury stocks and buys back shares from the Taiwan Stock Exchange. The increase/decrease caused by the buyback are listed as follows:

Unit: 1,000 shares

	2019				
Reason for Buyback	Number of shares - beginning	Increase	Transfer	Cancelled	Number of shares - ending
Transfer to employees	928	330	(1,258)	-	-

In accordance with provisions of the Securities and Exchange Act, the share buyback rate shall not exceed 10% of total number of shares issued by the Company. The total amount of buyback shares shall not exceed the sum of retained earnings, share premium and realized capital surplus. In accordance with provisions of the Securities and Exchange Act, the treasury stocks held by the Company cannot be pledged, and are not entitled to the rights of shareholders before being transferred.

The Company has transferred all treasury shares to employees for the year ended December 31, 2019. As the transfer price is higher than the market price, no compensation cost was recognized.

Q. Earnings per Share (EPS)

		2020	2019
Basic EPS:			
Net income attributable to the Company	$	261,615	139,071
Weighted average number of common stocks outstanding (in thousands of shares)		84,512	83,959
Basic EPS (NT$)	$	3.10	1.66
Diluted EPS:			
Net income attributable to the Company	$	261,615	139,071
Post-tax interest on convertible corporate bonds		4,200	4,110
Net income attributable to common stocks	$	265,815	143,181
Weighted average number of common stocks outstanding (in thousands of shares)		84,512	83,959
Effect of potential diluted ordinary shares:			
Employee compensation to be distributed in stocks		698	549
Convertible corporate bonds		4,448	4,310
Weighted average number of common stocks outstanding for the calculation of diluted EPS (in thousands of shares)		89,658	88,818
Diluted EPS (NT$)	$	2.96	1.61

R Revenue of customer contract

		2020	2019
Main geographical areas			
China	$	2,296,770	1,967,714
Taiwan		83,962	33,303
Other Countries		3,893	1,824
	$	2,384,625	2,002,841
Major products			
Coiled conductive polymer solid capacitors	$	1,991,814	1,775,810
Chip-type conductive polymer solid state appliances		392,811	227,031
	$	2,384,625	2,002,841

S. Employee compensations and remuneration for Directors

The Company's Articles of Incorporation provide that if there is profit in the year, at least 8 percent of profit shall be allocated for employee compensation, and no more than 3 percent shall be allocated for remunerations of the Directors. However, if the Company has accumulated losses, it shall reserve a portion of the profit to offset the losses in advance. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions.

The Company accrued NT$28,528 thousand and NT$16,437 thousand as employee compensation and NT$8,391 thousand and NT$4,834 thousand as remuneration for Directors for the years ended December 31, 2020 and 2019, respectively. These amounts were calculated using the Company's pre-tax income before deducting for employee compensation and remuneration for Directors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts were recognized as operating costs or operating expenses for the periods. Difference between amount distributed and accrued will be regarded as changes in accounting estimates and reflected in profit or loss in the following year. If employee compensation is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensation by the closing price of common stocks on the day preceding the Board of Directors' meeting.

The amounts allocated for remunerations to employees and Directors for the year ended December 31, 2019 were NT$16,437 thousand and NT$4,834 thousand, respectively, which bear no difference from the Board's resolutions. Relevant information can be found at the MOPS.

T. Non-operating income and expenses

1. Interest income

	2020	2019
Interests on bank deposits	$ 2,060	5,786
Other interest income	93	9
	$ 2,153	5,795

2. Other gains and losses, net

	2020	2019
Subsidy income	$ 30,147	6,425
Dividend income	3,012	8,873
Service income	1,686	-
Financial asset valuation loss	-	(52)
Loss on disposal of property, plant and equipment	(249)	(1,410)
Other	4,718	(2,315)
	$ 39,314	11,521

3. Finance costs

	2020	2019
Interest expenses of corporate bonds	$ 5,256	5,226
Interest expenses of loans	10,725	20,500
Interest expense on lease liabilities	350	230
	$ 16,331	25,956

U. Financial instruments

1. Credit risk

(1) Maximum credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount of credit risk exposure.

(2) Credit risk concentration

The consolidated company's customers are concentrated in industries such as consumer electronics, computer peripherals and wireless communication and so on. To reduce the credit risk of the accounts receivable, the consolidated company continuously assesses the customers' financial position and regularly evaluates the possibility of the collection of accounts receivable, as well as making allowances for loss. As at December 31, 2020 and 2019, 48% and 42% of the consolidated company's accounts receivables were due from five customers, respectively, resulting in significant credit risk concentration.

(3) Credit risk of accounts receivable and debt securities

Please refer to Note VI(III) for credit risk exposure of accounts receivable.

Other financial assets at amortized cost included other receivables and time deposits. No impairment loss was recognized.

The above-mentioned financial assets have low credit risk, so the allowance loss of the period is measured based on twelve-month expected credit loss (please refer to Note IV(VII) for details on how the consolidated company determines the level of credit risk).

2. Liquidity risk

The following table shows the contractual maturity analysis of financial liabilities (including the impact of interest payable):

	Carrying Amount	Contract Cash Flow	Less than 6 months	6-12 months-	More than 12 months
December 31, 2020					
Non-derivative financial liabilities					
Short-term loans	$ 865,000	866,126	866,126	-	-
Accounts payable (including related parties)	433,049	433,049	433,049	-	-
Payroll and bonus payable	114,188	114,188	114,188	-	-
Payable on equipment	24,001	24,001	24,001	-	-
Lease liabilities (including current and non-current)	26,783	27,319	4,730	4,532	18,057
	$ 1,463,021	1,464,683	1,442,094	4,532	18,057
December 31, 2019					
Non-derivative financial liabilities					
Short-term loans	$ 924,840	927,628	927,628	-	-
Accounts payable (including related parties)	312,146	312,146	312,146	-	-
Payable on equipment	14,419	14,419	2,770	11,649	-
Lease liabilities (including current and non-current)	19,852	20,274	3,192	3,117	13,965
	$ 1,271,257	1,274,467	1,245,736	14,766	13,965

3. Exchange rate risk

(1) Exchange rate risk exposure

The consolidated company's financial assets and liabilities exposed to material exchange rate risk were as follows:

	2020.12.31			2019.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 40,494	28.48	1,153,269	34,796	29.98	1,043,184
RMB	45,670	4.3648	199,340	54,101	4.2975	232,499
Financial liabilities						
Monetary items						
USD	1,638	28.48	46,650	10,427	29.98	312,601

(2) Sensitivity analysis

The consolidated company's exposure to foreign currency risk mainly arises from exchange gains and losses of cash, receivables, short-term loans, accounts payable, and other payables that are denominated in US dollars and RMB. Changes in net income for the years ended on December 31, 2020 and 2019 due to depreciation or appreciation of NTD against USD and RMB as of December 31, 2020 and 2019 with all other variables held constant were as follows:

	Fluctuation	2020	2019
NT dollars	1% depreciation against USD	$ 8,853	5,845
	1% appreciation against USD	$ (8,853)	(5,845)
	1% depreciation against RMB	$ 1,595	1,860
	1% appreciation against RMB	$ (1,595)	(1,860)

(3) Exchange gain/loss of monetary items

As the consolidated company has a large variety of functional currencies, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange losses (including realized and unrealized) for the years ended on December 31, 2020 and 2019 were NT$68,138 thousand and NT$8,436 thousand, respectively.

4. Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the consolidated company is described in the liquidity risk management of the Notes. The following sensitivity analysis is determined by the interest rate risk exposure of non-derivative instruments on the reporting date. For liabilities with floating interest rates, the analysis is based on the assumption that the outstanding liabilities on the reporting date have been outstanding all year round. Changes in other comprehensive income for the years ended on December 31, 2020 and 2019 due to interest rate changes with all other variables held constant were as follows:

	Fluctuation	2020	2019
Annual borrowing rate	Increase by 1%	$ (6,920)	(7,399)
	Decrease by 1%	$ 6,920	7,399

5. Other price risk

If the price of equity securities changes on the reporting date (adopt the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on comprehensive income items were as follows:

Prices of securities at the reporting date	2020 Other comprehensive income, net of tax	2020 Net income	2019 Other comprehensive income, net of tax	2019 Net income
Increase by 1%	$ 2,754	-	2,612	-
Decrease by 1%	(2,754)	-	(2,612)	-

6. Fair value and information

(1) Type and fair value of financial instruments

The consolidated company's financial assets at fair value through profit and loss or through other comprehensive income are measured at fair value on a recurring basis. The carrying amount and fair value of financial assets and liabilities (including information of fair value hierarchy; however, the fair value of financial instruments not at fair value and whose carrying amounts are reasonable approximations of their fair value and lease liabilities is not required to be disclosed) were as follows:

	2020.12.31				
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	$ 138,474	138,474	-	-	138,474
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	$ 136,944	-	-	136,944	136,944
Convertible bonds payable (including bonds due within one year)	$ 248,676	278,400	-	-	278,400

	2019.12.31				
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income - current					
Domestic listed stocks	$ 143,891	143,891	-	-	143,891
Financial assets at fair value through other comprehensive income - non-current					
Domestic unlisted stocks	$ 117,349	-	-	117,349	117,349
Convertible bonds payable (including bonds due within one year)	$ 245,518	264,571	-	-	264,571

(2) Fair value valuation technique of financial instruments not at fair value

The methods and assumptions adopted by the consolidated company for valuating instruments not at fair value were as follows:

For financial assets at amortized cost, if transaction prices or quotes from market maker are available, the latest transaction price and quotes shall be the basis for fair value measurement. If market values are not available, valuation method would be adopted. Estimations and assumptions adopted in the valuation method are to measure fair value at discounted cash flows.

(3) Fair value valuation technique of financial instruments at fair value

The redemption rights of embedded derivatives are based on an appropriate option pricing model.

(4) Transfers between Level 1 and Level 2 fair value hierarchy: None.

(5) Details of changes in Level 3 fair value hierarchy:

	Financial asset at fair value through other comprehensive income - equity investments without an active market
Balance as of January 1, 2020	$ 117,349
New addition	8,000
Proceeds from capital reduction	(2,000)
Total gains and losses	
Recognized in other comprehensive income	13,595
Balance as of December 31, 2020	$ 136,944
Balance as of January 1, 2019	$ 121,084
Disposals	(7,500)
Total gains and losses	
Recognized in other comprehensive income	3,765
Balance as of December 31, 2019	$ 117,349

The aforementioned total gains and losses are recognized under "unrealized valuation gains (losses) from investments in equity instruments at fair value through other comprehensive income." As of December 31, 2020 and 2019, gains or losses of assets in the book amounted to gain of NT$21,945 thousand and NT$8,349 thousand, respectively.

(6) Quantitative information for fair value measurement of significant unobservable inputs (level 3)

The consolidated company classified financial assets at fair value through other comprehensive income - non-current as level 3. It had multiple significant unobservable inputs which were independent from each other; therefore, there is no correlation between them. The quantitative information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable input	Relationship between significant unobservable inputs and fair value measurement
Financial asset at fair value through other comprehensive income - non-current (equity investments without an active market)	Net asset value method	• Net asset value • Marketability discount (10% and 20% for December 31, 2020 and December 31, 2019)	• N/A • The higher the marketability discount, the lower the fair value.
Financial asset at fair value through other comprehensive income - non-current (equity investments without an active market)	Market approach	• Price-book ratio (3.39 for December 31, 2019) • Marketability discount (25% for December 31, 2019)	• The higher the price-book ratio, the higher the fair value. • The higher the marketability discount, the lower the fair value.

V. Financial risk management

1. Overview

The consolidated company is exposed to the following risks due to usage of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note presents information about the consolidated company's exposure to each of the above risks, the consolidated company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

2. Risk management framework

The Board of Directors is solely responsible for overseeing the risk management of the consolidated company. The consolidated company's risk management policies are formulated to identify and analyze the risks faced by the consolidated company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes market conditions and the consolidated company's activities.

The financial management department of the Company provides services to the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the consolidated company by analyzing the internal risk reports of the risks according to the level and scope of risks. These risks include credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other market price risks).

3. Credit risk

The main credit risk the consolidated company faces is caused by the potential impact of the counterparty or other party of the financial asset transaction failing to meet its contractual obligations. The consolidated company deposits its cash in creditworthy banks with low credit risk.

The main credit risk arises from financial products derived from cash and accounts receivable. The consolidated company deposits its cash in various financial institutions. The consolidated company controls exposure to the credit risk of each financial institution and believes that there is no concentration of significant credit risk for the cash.

The credit risk exposure of the consolidated company is influenced by the conditions of each individual customer. The management also considers the statistical data on the basis of consolidated company customers, including the default risk of industry and country, as these factors play a role in credit risk. To lower credit risk, management of the consolidated company appoints a dedicated team to make decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the consolidated company reviews the recoverable amount of all accounts receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable accounts receivable.

The consolidated company did not provide any endorsements or guarantees to parties other than the subsidiaries for the years ended on December 31, 2020 and 2019.

4. Liquidity risk

Liquidity risk is the risk that the consolidated company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The method of the consolidated company adopts for managing liquidity lies in ensuring sufficient working capital to pay for due liabilities under normal and pressing circumstances so as to avoid unacceptable losses or risk of damage to goodwill. The consolidated company supports business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash. The consolidated company's management supervises bank financing conditions and ensures compliance with loan contracts.

5. Market risk

Market risk refers to the risk of the value of revenue or held financial instruments being influenced by market price changes, such as exchange rate and interest rate. The objective of market risk management lies in optimizing the investment return by controlling the market risk exposure within the bearable scope.

(1) Currency risk

The consolidated company is exposed to currency risk arising out of sales, procurement and loan transaction through functional currency valuation from its entities. The consolidated company's functional currency is New Taiwan dollars. The main valuation currencies for these types of transactions includes RMB and USD.

Loan interest is denominated in the currency of the loan. Generally speaking, the currency of the loan is the same as the currency of the cash flow generated by the operation of the consolidated company, which is mainly NTD and USD. This provides economic hedging without signing derivatives, so hedging accounting is not adopted.

For monetary assets and liabilities denominated in other foreign currencies, when a short-term imbalance occurs, the consolidated company purchases or sells foreign currencies at the real-time exchange rate to ensure that net risk exposure remains at an acceptable level.

(2) Interest rate risk

The short-term borrowings of the consolidated company are debts with floating interest rates, so changes in market interest rates will cause the effective interest rate of short-term borrowings to change accordingly, leading to fluctuations in future cash flows.

W. Capital management

The primary objective of the consolidated company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize owner value.

The consolidated company operates in an industry with rapid changes, intensive capital and technologies in a life cycle is in a stage of stable growth. Therefore, it is necessary to retain surplus needed for operational growth and investment. For the moment, the residual dividend policy is adopted. The distribution of shareholder cash dividends shall not be lower than 10% of the distributable surplus of the year.

The consolidated company's management periodically reassesses the capital structure, with the scope covering capital costs of various categories and related risks. The consolidated company will distribute dividend, issue new stocks, repurchase shares, or repay old debts among other methods to balance its overall capital structure in accordance with the recommendations of its management.

The consolidated company's debt-to-adjusted-capital ratio at the reporting date was as follows:

	2020.12.31	2019.12.31
Total liabilities	$ 1,857,259	1,689,126
Less: Cash and cash equivalents	(683,514)	(700,953)
Net liabilities	$ 1,173,745	988,173
Total equity	$ 2,179,338	1,964,987
Debt-to-capital ratio	53.86%	50.29%

X. Non-cash financing activities

The consolidated company's non-cash investing and financing activities for the years ended December 31, 2020 and 2019 were as follows:

1. For non-cash investing and financing activities where convertible corporate bonds were converted into common stocks, please refer to Note VI(XII) for details.
2. For right-of-use assets obtained via leases, please refer to Note VI(VII).

3. Reconciliation of liabilities arising from financing activities were as follows:

	2020.1.1	Cash flow	Non-cash changes: Change in Exchange fluctuations	Non-cash changes: Other changes	2020.12.31
Short-term loans	$ 924,840	(59,236)	(604)	-	865,000
First issuance of convertible corporate bonds	2,095	(1,300)	-	(795)	-
Second issuance of convertible corporate bonds	243,423	-	-	5,253	248,676
Lease liabilities	19,852	(9,043)	-	15,974	26,783
	$ 1,190,210	(69,579)	(604)	20,432	1,140,459

	2019.1.1	Cash flow	Non-cash changes: Change in Exchange fluctuations	Non-cash changes: Other changes	2019.12.31
Short-term loans	$ 1,103,585	(174,460)	(4,285)	-	924,840
First issuance of convertible corporate bonds	3,988	-	-	(1,893)	2,095
Second issuance of convertible corporate bonds	238,285	-	-	5,138	243,423
Lease liabilities	19,495	(5,727)	-	6,084	19,852
	$ 1,365,353	(180,187)	(4,285)	9,329	1,190,210

(VII). Related Party transactions

A. Related parties' name and relationships

Name of related party	Relationship with the consolidated company
Shenzhen Gather Electronics Science Co., Ltd.	An associate to the consolidated company
INPAQ Technology Co., Ltd.	Key management of the consolidated company

B. Significant transactions with related parties

1. Operating revenue

	2020	2019
Shenzhen Gather Electronics Science Co., Ltd.	$ 32,963	37,656

The sales price to related parties and non-related parties is determined by the specifications of the products being sold, and some products are given discounts of varying degrees depending on the quantity sold. Therefore, the price to related parties and non-related parties is not significantly different. The credit terms of related parties are 120 days from end of month. The credit terms of general customers are determined by the individual client's past transaction experience and the results of credit evaluation and they range between 60 to 150 days from end of month.

2. Purchases

	2020	2019
Shenzhen Gather Electronics Science Co., Ltd.	$ 5,952	6,135

The purchase price from related parties is based on the general market price. The payment terms are 30 to 90 days from end of month for general suppliers, and 120 days from end of month for related parties.

3. Receivables from related parties

Financial Statement Account	Category of Related Parties	2020.12.31	2019.12.31
Receivables from related parties	Shenzhen Gather Electronics Science Co., Ltd.	$ 24,709	22,724

4. Payables to related parties

Financial Statement Account	Category of Related Parties	2020.12.31	2019.12.31
Payables to related parties	Shenzhen Gather Electronics Science Co., Ltd.	$ 2,319	4,968

5. Other transactions

The consolidated company engaged in service contracts associated with winding machines with related parties. Service income generated were NT$1,686 thousand for the years ended December 31, 2020. As of December 31, 2020, receivables from related parties from the above transactions amounted to NT$697 thousand.

C. Major managerial personnel transactions

Remuneration of major managerial personnel includes:

	2020	2019
Short-term employee benefits	$ 41,317	25,183
Benefits after retirement	408	406
	$ 41,725	25,589

(VIII).Pledged Assets

Details of carrying amount of assets pledged by the consolidated company were as follows:

Pledged Assets	Purpose of Pledge	2020.12.31	2019.12.31
Other financial assets - non-current	Purchase guarantee, investment guarantee, etc.	$ 26,351	25,458

(IX). Significant Contingent Liabilities and Unrecognized Contract Commitments: None.

(X). Significant Disaster Loss: None.

(XI). Significant Subsequent Events: None.

(XII). Others

The following is the summary statement of employee benefits and depreciation expenses by function:

Function / Type	2020 Operating cost	2020 Operating expense	2020 Total	2019 Operating cost	2019 Operating expense	2019 Total
Employee benefit expenses						
Salary expense	219,130	156,675	375,805	181,618	125,513	307,131
Labor and health insurance expense	642	6,941	7,583	476	6,504	6,980
Pension expense	342	3,383	3,725	477	3,402	3,879
Other employee benefits expenses	2,817	7,223	10,040	3,016	6,519	9,535
Depreciation	179,092	25,161	204,253	162,080	22,338	184,418
Amortization	79	4,457	4,536	74	4,285	4,359

(XIII). Supplementary Disclosures

A. Information on significant transactions

Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," information of significant transactions which shall be disclosed by the consolidated company is as follows:

1. Financing provided to others:

No.	Lending Company	Borrower	Transaction Account	Whether A Related Party	Maximum Balance in Current Period	Ending Balance	Amount Actually Drawn	Interest rate range	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral Name	Collateral Value	Limit on Financing to A Single Party	Total Limit on Financing
0	The Company	APAQ Wuxi	Other Receivables — Related Parties	Yes	453,750	170,880	-	2.896%	Business Transaction	1,555,794		-		-	871,735	871,735
0	The Company	APAQ Hubei	Other Receivables — Related Parties	Yes	176,940	170,880	-	2.896%	Short-term Financing	-	Business Needs of Subsidiary	-		-	871,735	871,735

Note 1. For firms or companies having business relationship with the Company, the financing amount to an individual party is limited to the transaction amount between both parties.

Note 2. Total amount of financing to external parties shall be limited to 40% of the equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial statements as audited (reviewed) by CPAs in the most recent period.

2. Endorsement or guarantee provided to others

No.	Name of Endorsement/Guarantee Provider	Object of Endorsements/Guarantees Name	Object of Endorsements/Guarantees Relation	Limit on Endorsements/Guarantees Provided for A Single Party	Maximum Balance in Current Period	Ending Balance of Endorsement and Guarantee	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company to A Subsidiary	Guarantee Provided by A Subsidiary to Parent Company	Guarantee Provided to Subsidiaries in Mainland China
0	The Company	APAQ Wuxi	Subsidiary	2,179,338	453,750	199,360	-	-	9.75%	2,179,338	Y	N	Y
0	The Company	APAQ Hubei	Subsidiary	2,179,338	206,430	199,630	-	-	9.75%	2,179,338	Y	N	Y

Note 1. The amount of the endorsements/guarantees to a single enterprise shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial statements as audited (reviewed) by CPAs in the most recent period.

Note 2. The total amount of endorsements/guarantees to external parties shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial statements as audited (reviewed) by CPAs in the most recent period.

3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	End of the Period Shares	End of the Period Carrying Amount	End of the Period Shareholding %	End of the Period Fair Value	Remark
The Company	CHAINTECH Technology Corporation	None	Financial assets at fair value through other comprehensive income - current-	4,710	138,474	4.64%	138,474	
The Company	Foxfortune Technology Ventures Limited	None	Financial assets at fair value through other comprehensive income - non-current-	1,000	52,996	5.80%	52,996	
The Company	Inpaq Korea	None	Financial assets at fair value through other comprehensive income - non-current-	18	1,418	10.73%	1,418	
The Company	Chia Lin Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	1,800	16,259	3.64%	16,259	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	3,770	57,725	5.39%	57,725	
The Company	Ching Chiao Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current-	240	1,582	3.20%	1,582	
The Company	Yuanxin Semiconductor Co., Limited	None	Financial assets at fair value through other comprehensive income - non-current-	800	6,964	11.43%	6,964	

4. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital: None.

5. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital: None.

6. Disposal of individual real estate with amount of at least NT$300 million or 20

percent of the paid-in capital: None.

7. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital: None.

Company Name	Name of the Counterparty	Relation	Transaction Details				Situation and reason of why transaction conditions are different from general transactions		Notes/Accounts Receivable or Payable		Remark
			Purchases/sales	Amount	Ratio of total purchase (sales)	Loan period	Unit Price	Loan period	Balance	Ratio to total amount of notes/accounts receivable or payable	
The Company	APAQ Wuxi	Subsidiary	Purchases	1,555,794	98 %	60 days	-	Note 1	415,060	96.00%	Note 2

Note 1. The payment period of general suppliers ranges from 30 days to 90 days on the monthly statement, and the payment period for Apaq Wuxi is 60 days.

Note 2. Related transactions and closing balances have been eliminated from the consolidated financial statements.

8. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital: None.

9. Trading in derivative instruments: Please refer to Notes VI(XII).

10. Business relation and important transactions between parent company and subsidiaries:

No.	Name of Trader	Name of Counterparty	Relation with the Transacting Party	Conditions of Transactions			
				Account	Amount	Terms of Transaction	Ratio to Consolidated Revenue or Total Assets
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Purchases	1,555,794	60 days	65%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Sales	93,419	60 days	4%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Accounts receivable	30,684	-	1%
0	The Company	APAQ Wuxi	Parent company to a subsidiary	Accounts payable	415,060	-	10%

B. Information on reinvestment:

The information on investees is as follows (excluding investees in Mainland China):

Name of Investor	Name of investees	Location	Primary Business	Original Investment Amount		Ending Balance			Highest ownership during the period	Net Income (Loss) of the Investee	Share of Profit/Loss	Remark
				End of the Period	End of Last Year	Shares	%	Carrying Amount				
The Company	APAQ Samoa	Samoa	Holding	1,377,960	1,288,569	44,504	100.00%	1,848,176	100.00%	105,887	87,508	Note 1

Note 1. Share of profit/loss includes adjustments for upstream transactions between affiliates.

Note 2. Related transactions and closing balances have been eliminated from the consolidated financial statements.

C. Information on investments in Mainland China:

1. Information on reinvestments in Mainland China

Name of Investee	Primary Business	Paid-in Capital (Note 4)	Method of Investment	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Remittance or Recovery of Investment the Current Period		Ending Balance of Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee	The Company's Percentage of Direct or Indirect Ownership	Highest ownership during the period	Investment Gains (Losses) Recognized in the Current Period	Carrying Amount of Investment at the End of Period	Ending Balance of Accumulated Inward Remittance of Earnings	Remark
					Outward Remittance (Note 4)	Recovery								
APAQ Wuxi	Production and sales of electronic components	1,187,6 (USD41,700 thousand)	Note 1	1,203,723 (USD38,700 thousand)	89,390 (USD3,000 thousand)	-	1,293,113 (USD41,700 thousand)	107,913	100.00%	100.00%	107,913 Note 3	1,823,989	-	
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components	43 (RMB10,000 thousand)	Note 1	44,898 (RMB9,800 thousand)	-	-	44,898 (RMB9,800 thousand)	3,747	35.00%	35.00%	1,528 Note 3	45,737	-	
APAQ Hubei	Production and sales of electronic components	113, (USD4,000 thousand)	Note 2	15,590 (USD500 thousand)	104,960 (USD3,500 thousand)	-	120,550 (USD4,000 thousand)	25,362	100.00%	100.00%	25,362 Note 3	151,914	-	

2. Limits on reinvestments in Mainland China

Accumulated investment remitted from Taiwan to Mainland China at the end of the period (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 4)	Upper limit on investment authorized by Investment Commission, MOEA
1,458,561(USD45,700 thousand and RMB9,800 thousand)	1,515,521(USD47,700 thousand and RMB9,800 thousand)	(Note 5)

Note 1. Investment in Mainland China indirectly through a third area.

Note 2. Direct investment in Mainland China.

Note 3. It was recognized based on financial statements of the same period audited by CPAs.

Note 4. The paid-in capital is converted into NT dollars at the exchange rate on the balance sheet date. The amount of investment remitted in the current period is converted into NT dollars at previous exchange rates. The investment amount approved by Investment Commission, MOEA of USD 47,700 thousand and RMB 9,800 thousand is converted into NT dollars at previous exchange rates. In addition, as of December 31, 2020, there was still an approved investment amount of USD2,000 thousand, which had yet to be remitted.

Note 5. The Company has obtained the certificate letter of enterprise headquarters operation scope issued by the Industrial Development Bureau, MOEA. The upper limits for investments in Mainland China set by the Investment Commission, MOEA no longer apply.

3. Significant transactions:

Please refer to the "Information on significant transactions" for direct or indirect material transactions between the consolidated company and investees in China (which have been eliminated during the preparation of consolidated financial statements) for the years ended December 31, 2020.

D. Information on major shareholders:

Unit: Shares

Shareholding / Name of Major Shareholder	No. of Shares Held	Shareholding %
Hua Cheng Venture Capital Co., Ltd.	10,668,012	12.62%
Prosperity Dielectrics Co., Ltd.	5,280,000	6.24%
INPAQ Technology Co., Ltd.	4,776,329	5.65%
Walton Advanced Engineering, Inc.	4,591,000	5.43%

Note: The major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

(XIV). Segment Information

A. General information and segment information

The consolidated company focuses on producing ultra-small, high temperature-resistant, long life, low impedance electrolytic capacitors and cooperates with customers to develop and manufacture high voltage capacitors, chip capacitors, organic semiconductor solid capacitors and high energy storage capacitors. It is a single operating segment. The information of the operating segment is consistent with the consolidated financial statements. Please refer to the consolidated statements of comprehensive income for revenue (revenue from external customers) and income/loss of the segment and the consolidated balance sheets for segment information.

B. Information on product categories

The information of revenue from external customers for the consolidated company was as follows:

	2020	2019
Coiled conductive polymer solid capacitors	$ 1,991,814	1,775,810
Chip-type conductive polymer solid state appliances	392,811	227,031
	$ 2,384,625	2,002,841

C. Geographical information

The consolidated company compiled the following information with the revenue based on geographic location of customers and non-current assets based on the geographical location of assets.

	2020	2019
Revenue from external customers:		
China	$ 2,296,770	1,967,714
Taiwan	83,962	33,303
Others	3,893	1,824
	$ 2,384,625	2,002,841

	2020.12.31	2019.12.31
Non-current assets:		
China	$ 1,139,212	1,078,616
Taiwan	160,220	175,368
	$ 1,299,432	1,253,984

Note: Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets.

D. Major customer information

Customers accounting for more than 10% of the consolidated company's net operating revenues include:

	2020		2019	
	Amount	% of net operating revenues for the current period	Amount	% of net operating revenues for the current period
AsusTek Computer Inc.	$ 454,396	19	316,723	16
Customer G	232,231	10	151,587	8
	$ 686,627	29	468,310	24