Alltek Technology Corp.

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

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
Alltek Technology Corp.

Opinion

We have audited the accompanying financial statements of Alltek Technology Corp. (the ñCompanyò), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter of the Companyôs financial statements for the year ended December 31, 2020 is stated as follows:

<u>Recognition of Sales Revenue</u>

The Companyôs major source of revenue comes from the trading of semiconductor components. Due to the large volume of transactions, the amount of revenue is material to the Companyôs overall revenue and profit. There is a risk that revenue generated from specific sales may not occur; therefore, the recognition of sales revenue was identified as a key audit matter. Refer to Note 19 to the financial statements.

Regarding the managementꞌs assessment of sales revenue, our audit procedures performed in respect of the above key audit matter included the following:

1. We understood the design and implementation and tested the operating effectiveness of internal controls over revenue recognition.

2 We sampled and performed test of details for documents related to revenue derived from specific customers, including sales orders, shipping documents and customs export declarations, and checked for any significant differences in collection status to verify that revenue was recognized upon completion of the performance obligation and the recorded transactions had actually occurred.

3. We inspected the subsidiary ledger to confirm significant sales return and discounts, and verified the existence of annual revenue.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Companyꞌs financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companyôs internal control.

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

4. Conclude on the appropriateness of managementôs 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 Companyôs ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditorsô report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditorsô report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditorsô report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditorsô report are Ching-Fu Chang and Meng-Chieh Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2021

Notice to Readers

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

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

ALLTEK TECHNOLOGY CORP.

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

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 295,284	3	$ 63,954	1
Notes receivable, net (Notes 4 and 8)	3,187	-	939	-
Trade receivables, net (Notes 4 and 8)	2,939,134	32	1,905,987	24
Trade receivable from related parties (Notes 4, 8 and 25)	301	-	192	-
Other receivables (Note 8)	444,327	5	571,755	7
Other receivables from related parties (Notes 8 and 25)	639	-	150,530	2
Inventories (Notes 4, 5 and 9)	2,323,703	26	3,172,660	41
Other financial assets - current (Notes 7 and 26)	571,018	6	2,001	-
Other current assets	34,390	-	69,355	1
Total current assets	6,611,983	72	5,937,373	76
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4, 10 and 29)	2,318,187	25	1,698,358	22
Property, plant and equipment (Notes 4, 11 and 26)	133,754	2	134,477	2
Right-of-use assets (Notes 4 and 12)	8,094	-	9,614	-
Deferred tax assets (Notes 4 and 21)	46,208	1	26,657	-
Refundable deposits	6,745	-	7,342	-
Total non-current assets	2,512,988	28	1,876,448	24
TOTAL	$ 9,124,971	100	$ 7,813,821	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 26)	$ 1,719,446	19	$ 1,223,278	16
Short-term bills payable (Note 13)	1,438,800	16	1,290,000	16
Contract liabilities (Note 19)	192,459	2	374,650	5
Trade payables, net(Notes 15 and 25)	1,663,252	18	850,065	11
Other payables (Notes 16 and 25)	157,045	2	146,364	2
Current tax liabilities (Notes 4 and 21)	42,016	-	42,576	-
Lease liabilities - current (Notes 4 and 12)	5,673	-	6,799	-
Current portion of long-term borrowings and bonds payable (Notes 13, 14 and 26)	-	-	172,063	2
Other current liabilities (Notes 16 and 19)	209,958	2	283,890	4
Total current liabilities	5,428,649	59	4,389,685	56
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 26)	316,916	4	445,016	6
Deferred tax liabilities (Notes 4 and 21)	160,850	2	87,624	1
Lease liabilities - non-current (Notes 4 and 12)	2,470	-	2,872	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	25,231	-	24,689	-
Total non-current liabilities	505,467	6	560,201	7
Total liabilities	5,934,116	65	4,949,886	63
EQUITY (Note 18)				
Share capital				
Ordinary shares	1,891,813	21	1,797,843	23
Capital surplus	502,180	5	431,989	6
Retained earnings				
Legal reserve	344,259	4	315,424	4
Special reserve	27,662	-	4,652	-
Unappropriated earnings	516,273	6	341,689	4
Total retained earnings	888,194	10	661,765	8
Other equity				
Exchange differences on translating the financial statements of foreign operations	(91,332)	(1)	(27,662)	-
Total equity	3,190,855	35	2,863,935	37
TOTAL	$ 9,124,971	100	$ 7,813,821	100

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

ALLTEK TECHNOLOGY CORP.

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 19 and 25)	$ 24,043,720	100	$ 25,480,026	100
OPERATING COSTS (Notes 9 and 25)	(23,423,040)	(97)	(24,634,671)	(97)
GROSS PROFIT	620,680	3	845,355	3
UNREALIZED LOSS ON TRANSACTIONS WITH SUBSIDIARIES	(426)	-	(1,243)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	1,243	-	2,654	-
REALIZED GROSS PROFIT	621,497	3	846,766	3
OPERATING EXPENSES (Notes 20 and 25)				
Selling and marketing expenses	(210,912)	(1)	(205,677)	(1)
General and administrative expenses	(119,856)	(1)	(96,314)	-
Research and development expenses	(68,929)	-	(68,738)	-
Total operating expenses	(399,697)	(2)	(370,729)	(1)
PROFIT FROM OPERATIONS	221,800	1	476,037	2
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	4,805	-	5,637	-
Other income (Notes 20 and 25)	4,157	-	4,747	-
Other gains and losses (Note 20)	35,890	-	11,067	-
Finance costs (Note 20)	(83,010)	-	(169,063)	(1)
Share of profit or loss of subsidiaries (Note 10)	390,222	1	35,337	-
Total non-operating income and expenses	352,064	1	(112,275)	(1)
PROFIT BEFORE INCOME TAX	573,864	2	363,762	1
INCOME TAX EXPENSE (Notes 4 and 21)	(112,576)	-	(75,417)	-
NET PROFIT FOR THE YEAR	461,288	2	288,345	1

(Continued)

ALLTEK TECHNOLOGY CORP.

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (651)	-	$ (1,332)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	130	-	266	-
	(521)	-	(1,066)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(79,588)	-	(28,763)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	284	-	56	-
Income tax relating to items that may be reclassified subsequently to profit or loss	15,918	-	5,753	-
	(63,386)	-	(22,954)	-
Other comprehensive income (loss) for the year, net of income tax	(63,907)	-	(24,020)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 397,381	2	$ 264,325	1
EARNINGS PER SHARE (Note 22)				
Basic	$2.51		$1.66	
Diluted	$2.49		$1.53	

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

ALLTEK TECHNOLOGY CORP.

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

	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2019	$ 1,695,251	$ 376,286	$ 294,288	$ 36,609	$ 246,963	$ (4,652)	$ 2,644,745
Appropriation of 2018 earnings							
Legal reserve	-	-	21,136	-	(21,136)	-	-
Special reserve	-	-	-	(31,957)	31,957	-	-
Cash dividends distributed by the Company	-	-	-	-	(169,525)	-	(169,525)
Share dividends distributed by the Company	33,905	-	-	-	(33,905)	-	-
Changes in convertible bonds conversion	68,687	55,703	-	-	-	-	124,390
Net profit for the year ended December 31, 2019	-	-	-	-	288,345	-	288,345
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,010)	(23,010)	(24,020)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	287,335	(23,010)	264,325
BALANCE AT DECEMBER 31, 2019	1,797,843	431,989	315,424	4,652	341,689	(27,662)	2,863,935
Appropriation of 2019 earnings							
Legal reserve	-	-	28,835	-	(28,835)	-	-
Special reserve	-	-	-	23,010	(23,010)	-	-
Cash dividends distributed by the Company	-	-	-	-	(234,622)	-	(234,622)
Changes in convertible bonds conversion	93,970	71,440	-	-	-	-	165,410
Net profit for the year ended December 31, 2020	-	-	-	-	461,288	-	461,288
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	(237)	(63,670)	(63,907)
Total comprehensive loss for the year ended December 31, 2020	-	-	-	-	461,051	(63,670)	397,381
Changes in percentage of ownership interests in subsidiaries	-	(1,249)	-	-	-	-	(1,249)
BALANCE AT DECEMBER 31, 2020	$ 1,891,813	$ 502,180	$ 344,259	$ 27,662	$ 516,273	$ (91,332)	$ 3,190,855

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

ALLTEK TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 573,864	$ 363,762
Adjustments for:		
Expected credit loss recognized (reversed) on receivables	(8,752)	6,402
Depreciation expenses	15,196	11,061
Net loss on fair value changes of financial liabilities designated as at fair value through profit	-	(510)
Finance costs	83,010	169,063
Interest income	(4,805)	(5,637)
Share of profit of subsidiaries and associates	(390,222)	(35,337)
Loss on disposal of property, plant and equipment	15	-
Gain on disposal of investment accounted for using the equity method	(16,069)	-
Write down of inventories	36,680	-
Unrealized gain on the transactions with subsidiaries	(817)	(1,411)
Net loss on foreign currency exchange	34,706	39,451
Loss on redemption of convertible bond	175	-
Gain on lease modification	(9)	-
Gain from bargain purchase	(23,274)	-
Changes in operating assets and liabilities		
Notes receivable	(2,248)	1,503
Trade receivables	(516,122)	372,403
Trade receivables from related parties	(110)	303,572
Other receivables	(406,856)	(239,636)
Other receivables from related parties	152,631	1,042,613
Inventories	812,277	(476,354)
Other current assets	34,965	(406)
Other financial assets	(569,017)	19,974
Contract liabilities	(182,191)	282,309
Notes payable	-	(2,778)
Trade payables	804,835	(540,069)
Other payables	23,544	(2,193)
Other current liabilities	(73,932)	281,979
Net defined benefit liabilities - non-current	(109)	(130)
Cash generated from operations	377,365	1,589,631
Interest received	4,409	5,637
Interest paid	(94,866)	(166,344)
Income tax paid	(43,413)	(82,045)
Net cash generated from operating activities	243,495	1,346,879

(Continued)

ALLTEK TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	$ (270,000)	$ -
Payments for property, plant and equipment	(2,590)	(1,906)
Decrease (increase) in refundable deposits	597	(774)
Net cash used in investing activities	(271,993)	(2,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bond payable	(7,700)	(900)
Proceeds from short-term borrowings	13,349,453	-
Repayments of short-term borrowings	(12,855,960)	(1,934,765)
Proceeds from short-term bills payable	148,800	650,000
Proceeds from long-term borrowings	-	445,016
Repayments of long-term borrowings	(128,100)	(360,000)
Repayments of the principal portion of lease liabilities	(12,043)	(8,178)
Dividends paid to owners of the Company	(234,622)	(169,525)
Net cash generated from (used in) financing activities	259,828	(1,378,352)
NET INCREASE (DECREASE) IN CASH	231,330	(34,153)
CASH AT THE BEGINNING OF THE YEAR	63,954	98,107
CASH AT THE END OF THE YEAR	$ 295,284	$ 63,954

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

ALLTEK TECHNOLOGY CORP.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Alltek Technology Corp. (the ñCompanyò) was incorporated in April 1991 as a company limited by shares under the Company Law of the Republic of China (ROC). The Company mainly sells communications components.

The Companyôs shares have been traded on Taipei Exchange, formerly known as the GreTai Securities Market since March 2004. In November 2008, the Companyôs shares have been listed on the Taiwan Stock Exchange (TWSE).

The functional currency of the Company is the New Taiwan dollar. The financial statements are presented in the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Companyôs board of directors on March 17, 2021.

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

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

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

   1) Amendments to IAS 1 and IAS 8 ñDefinition of Materialò

      The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to ñcould reasonably be expected to influenceò. Accordingly, disclosures in the financial statements do not include immaterial information that may obscure material information.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 ñExtension of the Temporary Exemption from Applying IFRS 9ò	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ñInterest Rate Benchmark Reform - Phase 2ò	January 1, 2021
Amendment to IFRS 16 ñCovid-19 - Related Rent Concessionsò	June 1, 2020

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

  ñInterest Rate Benchmark Reform - Phase 2ò primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
ñAnnual Improvements to IFRS Standards 2018-2020ò	January 1, 2022 (Note 2)
Amendments to IFRS 3 ñReference to the Conceptual Frameworkò	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 ñSale or Contribution of Assets between an Investor and its Associate or Joint Ventureò	To be determined by IASB
IFRS 17 ñInsurance Contractsò	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 ñClassification of Liabilities as Current or Non-currentò	January 1, 2023
Amendments to IAS 1 ñDisclosure of Accounting Policiesò	January 1, 2023 (Note 6)
Amendments to IAS 8 ñDefinition of Accounting Estimatesò	January 1, 2023 (Note 7)
Amendments to IAS 16 ñProperty, Plant and Equipment - Proceeds before Intended Useò	January 1, 2022 (Note 4)
Amendments to IAS 37 ñOnerous Contracts - Cost of Fulfilling a Contractò	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 ñAgricultureò will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 ñFirst-time Adoptions of IFRSsò will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IFRS 10 and IAS 28 ñSale or Contribution of Assets between an Investor and its Associate or Joint Ventureò

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

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

2) Amendments to IAS 1 ñClassification of Liabilities as Current or Non-currentò

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

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

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 ñFinancial Instrumentsò, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IAS 1 ñDisclosure of Accounting Policiesò

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Company chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 ñAccounting Policies, Changes in Accounting Estimates and Errorsò in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

5) Amendments to IAS 8 ñDefinition of Accounting Estimatesò

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

6) Amendments to IAS 16 ñProperty, Plant and Equipment: Proceeds before Intended Useò

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirerös previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred,[the amount of any non-controlling interests in the acquiree, and the fair value of the acquirerös previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entityös net assets in the event of liquidation are measured either at fair value. Other types of non-controlling interests are measured at fair value.

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Investments in subsidiaries

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

Subsidiary is an entity that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company’s share of equity of subsidiaries attributable to the Company.

Changes in the Company’s ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

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

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

h. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

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

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

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

When the Companyӳ share of losses of an associate equals or exceeds its interest in that associate the Company discontinues recognizing its share of further losses.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

j. Impairment of property, plant and equipment and right-of-use assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified as financial assets at amortized cost.

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

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the assetôs carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are carried at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when such financial liabilities are either held for trading or is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

l. Provisions

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

m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of the semiconductor components. Sales of the semiconductor components are recognized as revenue when the goods are delivered to the customerќs specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

n. Leases

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

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

The Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lesseeös incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Companyös defined benefit plans.

p. Taxation

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

1) Current tax

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

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

Adjustments of prior yearsô tax liabilities are added to or deducted from the current yearös tax provision.

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 352	$ 405
Checking accounts and demand deposits	294,932	63,549
	$ 295,284	$ 63,954

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

	December 31	
	2020	2019
Bank balance	0.01%-0.05%	0.01%-0.38%

7. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2020	2019
Pledged bank deposits	$ 571,018	$ 2,001

Refer to Note 26 for information relating to other financial assets pledged as security.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
Notes receivable		
At amortized cost		
Gross carrying amount	$ 3,187	$ 939
Less: Allowance for impairment loss	-	-
	$ 3,187	$ 939

(Continued)

	December 31	
	2020	2019
Notes receivable - operating	$ 3,187	$ 939
Notes receivable - non-operating	-	-
	$ 3,187	$ 939
Trade receivables		
At amortized cost		
Gross carrying amount	$ 2,951,962	$ 1,806,372
Less: Allowance for impairment loss	(12,828)	(21,580)
	2,939,134	1,784,792
At FVTOCI	-	121,195
	$ 2,939,134	$ 1,905,987
Trade receivable from related parties		
Subsidiaries	$ 301	$ 192
Less: Allowance for impairment loss	-	-
	$ 301	$ 192
Other receivables		
Factored trade receivable reclassified to other receivables (Note 24)	$ 335,894	$ 535,672
Business tax refund receivables	39,508	11,743
Purchases return or allowances receivable	68,489	24,265
Others	436	75
	$ 444,327	$ 571,755
Other receivables from related parties		
Subsidiaries	$ 639	$ 150,530

(Concluded)

Trade Receivables

a. At amortized cost

The average credit period of sales of goods was ranged from 30-180 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Companyôs credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customerő current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Companyő historical credit loss experience does show significantly different loss patterns for different customer segments, the Company uses different provision matrixes based on past due status by the companyő different customer base of accounts receivable.

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

The following table details the loss allowance of trade receivables based on the Companyő provision matrix.

December 31, 2020

	Not Past Due	1 to 120 Days	Over 121 Days	Total
Expected credit loss rate	0%-0.001%	0.02%-0.03%	100%	
Gross carrying amount	$ 2,852,333	$ 90,332	$ 12,785	$ 2,955,450
Loss allowance (Lifetime ECL)	(13)	(30)	(12,785)	(12,828)
Amortized cost	$ 2,852,320	$ 90,302	$ -	$ 2,942,622

December 31, 2019

	Not Past Due	1 to 120 Days	Over 121 Days	Total
Expected credit loss rate	0%-0.01%	0.14%-0.46%	100%	
Gross carrying amount	$ 1,384,990	$ 402,877	$ 19,636	$ 1,807,503
Loss allowance (Lifetime ECL)	(235)	(1,709)	(19,636)	(21,580)
Amortized cost	$ 1,384,755	$ 401,168	$ -	$ 1,785,923

The movements of the loss allowance of trade receivables were as follows:

	2020	2019
Balance at January 1, 2020 per IFRS 9	$ 21,580	$ 15,684
Add: Net remeasurement of loss allowance	-	6,402
Less: Net remeasurement of loss allowance	(8,752)	-
Less: Amounts written off	-	(506)
Balance at December 31, 2020	$ 12,828	$ 21,580

During 2020 and 2019, the trade receivables increased by $1,147,947 thousand and decreased by $817,439 thousand, respectively. The Company reversed an impairment loss on trade receivables amounting to $8,752 thousand as of December 31, 2020. The Company recognized an impairment loss on trade receivables amounting to $6,402 thousand as of December 31, 2019. These amounts mainly due to customers under severe financial difficulties.

b. At FVTOCI

The Company will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling of financial assets.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2020

	Not Past Due	1 to 120 Days	Over 121 Days	Total
Expected credit loss rate	0%	0%	100%	
Gross carrying amount	$ -	$ -	$ -	$ -
Loss allowance (Lifetime ECL)	-	-	-	-
Cost at FVTOCI	$ -	$ -	$ -	$ -

December 31, 2019

	Not Past Due	1 to 120 Days	Over 121 Days	Total
Expected credit loss rate	0%	0%	100%	
Gross carrying amount	$ 121,195	$ -	$ -	$ 121,195
Loss allowance (Lifetime ECL)	-	-	-	-
Cost at FVTOCI	$ 121,195	$ -	$ -	$ 121,195

9. INVENTORIES

	December 31	
	2020	2019
Merchandise	$ 2,323,703	$ 3,172,660

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	$ 23,386,360	$ 24,634,671
Inventory write-downs	36,680	-
	$ 23,423,040	$ 24,634,671

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	$ 2,222,350	$ 1,549,806
Investments in associates	95,837	148,552
	$ 2,318,187	$ 1,698,358

a. Investments in subsidiaries

	December 31	
	2020	2019
Pantek Technology Corp.	$ 589,188	$ 383,057
Alltek Marine Electronics Corp.	125,419	120,195
Alltek Group Corp.	1,366,453	1,046,554
Alder Optomechanical Corp.	141,290	-
	$ 2,222,350	$ 1,549,806

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Pantek Technology Corp.	100%	100%
Alltek Marine Electronics Corp.	53%	54%
Alltek Group Corp.	100%	100%
Alder Optomechanical Corp.	51%	20%

Refer to Note 29 to the financial statements for the year ended December 31, 2020 for the disclosures of the investments in subsidiaries.

As discussed in Table 2, the Company provided financial guarantee for subsidiariesô bank borrowings.

Due to Alltek Marine Electronics Corp.ôs exercise of employee stock options, the Companyôs percentage of ownership decreased from 54% to 53%. Related registration processes had been completed on June 29, 2020.

In March 2020, the Company acquired 70,000 thousand shares of Alder Optomechanical Corp., resulting in an increase in the Companyôs percentage of ownership from 20% to 51.11% and Alder Optomechanical Corp. became the Companyôs subsidiary. A gain from bargain purchase of $23,274 thousand was recognized due to the transaction. For related information about the acquisition of Alder Optomechanical Corp., refer to Note 25 to the consolidated financial statements for the years ended December 31, 2020 and 2019.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiariesô financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31 2020	December 31 2019
Associates that are not individually material		
General Life Biotechnology Co., Ltd.	$ 95,837	$ 90,284
Alltek Technology (S) Pte. Ltd.	-	-
Alder Optomechanical Corp.	-	58,268
	$ 95,837	$ 148,552

Aggregate information of associates that are not individually material

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
The Company's share of:		
Net gain (loss) for the year	$ (4,475)	$ 6,372
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	$ (4,475)	$ 6,372

The Company's share of loss of Alltek Technology (S) Pte. Ltd. is limited to the amount of investment and share of profit of the associate. When the Company's share of loss of the associate equals the interests in the associate and the investment becomes zero, further losses are not recognized.

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income for the years ended December 31, 2020 and 2019 were based on the associates' financial statements audited by other auditors for the same year.

Associates are accounted for using the equity method.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Experimental Equipment	Transportation Equipment	Office Equipment	Total
Cost						
Balance at January 1, 2019	$ 93,240	$ 61,885	$ 19,455	$ 1,310	$ 37,761	$ 213,651
Additions	-	-	133	-	1,773	1,906
Disposals	-	-	(93)	-	(326)	(419)
Balance at December 31, 2019	$ 93,240	$ 61,885	$ 19,495	$ 1,310	$ 39,208	$ 215,138
Accumulated depreciation						
Balance at January 1, 2019	$ -	$ 22,616	$ 19,139	$ 1,310	$ 35,021	$ 78,086
Disposals	-	-	(93)	-	(326)	(419)
Depreciation expense	-	1,192	313	-	1,489	2,994
Balance at December 31, 2019	$ -	$ 23,808	$ 19,359	$ 1,310	$ 36,184	$ 80,661
Carrying amounts at December 31, 2019	$ 93,240	$ 38,077	$ 136	$ -	$ 3,024	$ 134,477

(Continued)

	Freehold Land	Buildings	Experimental Equipment	Transpor-tation Equipment	Office Equipment	Total
Cost						
Balance at January 1, 2020	$ 93,240	$ 61,885	$ 19,495	$ 1,310	$ 39,208	$ 215,138
Additions	-	-	1,602	-	988	2,590
Disposals	-	-	(19,362)	-	(26,314)	(45,676)
Balance at December 31, 2020	$ 93,240	$ 61,885	$ 1,735	$ 1,310	$ 13,882	$ 172,052
Accumulated depreciation						
Balance at January 1, 2020	$ -	$ 23,808	$ 19,359	$ 1,310	$ 36,184	$ 80,661
Disposals	-	-	(19,362)	-	(26,299)	(45,661)
Depreciation expense	-	1,192	231	-	1,875	3,298
Balance at December 31, 2020	$ -	$ 25,000	$ 228	$ 1,310	$ 11,760	$ 38,298
Carrying amounts at December 31, 2020	$ 93,240	$ 36,885	$ 1,507	$ -	$ 2,122	$ 133,754

(Concluded)

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 26. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Building	
Main buildings	50 years
Others	2-5 years
Experimental equipment	2-5 years
Transportation equipment	2-5 years
Office equipment	2-10 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amounts		
Buildings	$ 2,849	$ 6,115
Transportation equipment	5,245	3,499
	$ 8,094	$ 9,614

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 12,228	$ -
Depreciation charge for right-of-use assets		
Buildings	$ 7,950	$ 5,245
Transportation equipment	3,948	2,822
	$ 11,898	$ 8,067

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	$ 5,673	$ 6,799
Non-current	$ 2,470	$ 2,872

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.2%	1.2%
Transportation equipment	1.2%	1.2%

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Secured borrowings (Note 27)		
Transferred receivables (2)	$ 518,470	$ -
Unsecured borrowings		
Line of credit borrowings	1,200,976	1,223,278
	$ 1,719,446	$ 1,223,278
Interest rate interval	0.35%-1.30%	1.16%-2.61%

Portion of secured borrowings of the Company are secured by the Company's fixed deposit.

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	$ 1,438,800	$ 1,290,000
Less: Unamortized discount on bills payable	-	-
	$ 1,438,800	$ 1,290,000
Interest rate interval	0.22%-0.96%	0.50%-0.89%

The commercial papers payable were not discounted because the effect was not material.

c. Long-term borrowings

	December 31	
	2020	2019
Secured borrowings (Note 26)		
Bank loans	$ 316,916	$ 445,016
Less: Current portion	-	-
	$ 316,916	$ 445,016
Interest rate interval	1.80%	1.80%

Portion of the short-term borrowings and long-term borrowings of the Company for the years ended December 31, 2020 and 2019 have been jointly guaranteed by chairman of the board of the Company.

In June 2019, the Company signed a contract for a three-year syndicated loan with bank. The repayment period is between June 26, 2019 and June 25, 2022. The syndicated loan may be used on a revolving basis within the repayment period; the credit line is US$100 million. The effective interest rate was 1.8% as of December 31, 2020.

As of June 2019, the bank borrowings are secured by the Companyôs freehold land and building. The due date is June 2022.

14. BONDS PAYABLE

	December 31	
	2020	2019
Unsecured bonds payable	$ -	$ 172,063
Less: Current portion	-	(172,063)
Bonds payable	$ -	$ -

To repay the loan, the Company issued the 3rd domestic unsecured convertible bonds with an aggregate principal amount of $300,000 thousand and a face value of $100 thousand per bond certificate. The issuance price is face value multiplied by 100.2%. At the end of third year from the bond issuance date, bondholders have the right to redeem the convertible bonds at face value plus interest compensation (the interest compensation is face value multiplied by 102.2669%, rate of return is 0.75%, at expiration date) in cash. The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The terms and conditions of the bonds are as follows:

a. Issuance date: October 24, 2017

b. Coupon rate: 0%

c. Issuance period: 3 years, and a circulation period from October 24, 2017 to October 24, 2020.

d. Redemption of the convertible bonds

   At the end of second year from the bond issuance date, bondholders have the right to request the Company to redeem the convertible bonds at face value plus interest compensation (the interest compensation is face value multiplied by 101.5056%, rate of return is 0.75%, at expiration date) in cash.

e. Redemption method

   1) Conversion subject: Subject is ordinary shares of the Company. The rights and obligations of new shares converted from the bonds are the same as the issued and outstanding ordinary shares.

   2) Conversion period:

      The bonds are exchangeable into ordinary shares of the Company at any time on or after January 25, 2018 and prior to October 24, 2020 except during closed period.

   3) The conversion price of the bonds is set based on the arithmetic mean of the business dayŝ closing share price multiplied by 102% premium rate before the effective date on October 16, 2017. As the Company distributed share dividends for the year ended December 31, 2020, the conversion price was adjusted to NT$17.2 per share.

   4) The conversion value of convertible bonds as of October 24, 2020 was $291,400 thousand. The Company redeemed convertible bonds at par value of $7,700 thousand in November 2020 and recognized a redemption loss of $175 thousand.

5) The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.2025% per annum on initial recognition.

Proceeds from issuance (less transaction costs of $3,000 thousand)	$ 297,600
Equity component (less transaction costs allocated to the equity component of $73 thousand and related income tax of $12 thousand)	(7,214)
Deferred tax assets	12
Liability component at the date of issuance	290,398
Option (less transaction costs allocated to the liability component of $3 thousand)	(387)
Interest charged at an effective interest rate	7,145
Convertible bonds into ordinary shares	(124,193)
Redeemed convertible bonds	(900)
Liability component at December 31, 2019	$ 172,063
Liability component at January 1, 2020	$ 172,063
Interest charged at an effective interest rate	1,047
Convertible bonds into ordinary shares	(165,410)
Redeemed convertible bonds	(7,700)
Liability component at December 31, 2020	$ -

15. TRADE PAYABLES

The amounts of trade payables including debit note for the years ended December 31, 2020 and 2019 were $357,164 thousand and $432,694 thousand, respectively. The net trade payable for the years ended December 31, 2020 and 2019 were $1,663,252 thousand and $850,065 thousand, respectively.

16. OTHER LIABILITIES

	December 31	
	2020	**2019**
Other payables		
Salaries and bonus	$ 100,519	$ 78,414
Payable for annual leave	11,241	9,210
Shipping fees	9,611	9,833
Others	35,674	48,907
	$ 157,045	$ 146,364
Other liabilities		
Refund liabilities (Note 19)	$ 189,881	$ 265,727
Other	20,077	18,163
	$ 209,958	$ 283,890

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employeesô individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

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

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

	December 31	
	2020	**2019**
Present value of defined benefit obligation	$ 39,531	$ 37,776
Fair value of plan assets	(14,300)	(13,087)
Net defined benefit liability	$ 25,231	$ 24,689

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2019	$ 35,158	$ (11,671)	$ 23,487
Service cost			
Current service cost	389	-	389
Net interest expense (income)	395	(135)	260
Recognized in profit or loss	784	(135)	649
Remeasurement			
Return on plan assets	-	(502)	(502)
Actuarial loss - changes in demographic assumptions	327	-	327
Actuarial loss - changes in financial assumptions	1,470	-	1,470
Actuarial loss - experience adjustments	37	-	37
Recognized in other comprehensive income	1,834	(502)	1,332

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	$ -	$ (779)	$ (779)
Benefits paid	-	-	-
Balance at December 31, 2019	$ 37,776	$ (13,087)	$ 24,689
Balance at January 1, 2020	$ 37,776	$ (13,087)	$ 24,689
Service cost			
Current service cost	404	-	404
Net interest expense (income)	284	(101)	183
Recognized in profit or loss	688	(101)	587
Remeasurement			
Return on plan assets	-	(416)	(416)
Actuarial loss - changes in demographic assumptions	-	-	-
Actuarial loss - changes in financial assumptions	970	-	970
Actuarial loss - experience adjustments	97	-	97
Recognized in other comprehensive income	1,067	(416)	651
Contributions from the employer	-	(696)	(696)
Benefits paid	-	-	-
Balance at December 31, 2020	$ 39,531	$ (14,300)	$ 25,231

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the planĉs debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate(s)	0.500%	0.750%
Expected rate(s) of salary increase	2.500%	2.500%

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

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	$ (970)	$ (993)
0.25% decrease	$ 1,010	$ 1,035
Expected rate(s) of salary increase		
0.25% increase	$ 974	$ 1,001
0.25% decrease	$ (941)	$ (966)

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	$ 699	$ 684
The average duration of the defined benefit obligation	10 years	10.7 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	350,000	350,000
Shares authorized	$ 3,500,000	$ 3,500,000
Number of shares issued and fully paid (in thousands)	189,181	179,784
Shares issued	$ 1,891,813	$ 1,797,843

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

The total amount of share capital according to the Articles of Incorporation is $3,500,000 thousand, which was approved in the shareholdersô meeting of the Company.

On June 20, 2019, the shareholdersô meeting resolved to distribute 33,905 thousand shares dividend (to issue 3,391 thousand ordinary shares with a par value of $10) from distributable earnings and the ex-rights date was August 9, 2019. The above transaction was approved by FSC.

As of December 31, 2019, the 3rd domestic unsecured convertible bonds had been converted into 6,869 thousand ordinary shares at NT$18.3 per share and the ex-rights date was March 13, 2020.

As of December 31, 2020, the 3rd domestic unsecured convertible bonds had been converted into 3,699 thousand ordinary shares at NT$18.3 per share. After the conversion price was changed on August 2, 2020, the 3rd domestic unsecured convertible bonds were converted into 5,698 thousand shares at NT$17.2 per share.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 495,650	$ 420,232
The difference between consideration received or paid and the carrying amount of the subsidiariesô net assets during actual disposal or acquisition	3,884	3,884
May be used to offset a deficit only (2)		
Changes in percentage of ownership interests in subsidiaries	793	2,042
Employee share options expired	1,322	1,322
Redemption of convertible bonds	531	-
May not be used for any purpose		
Equity component of convertible bonds issued by the Company	-	4,509
	$ 502,180	$ 431,989

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Companyôs capital surplus and once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 20, 2019 and in that meeting, resolved the amendments to the Companyôs Articles of Incorporation (the ñArticlesò). And the amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholdersô meeting.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Companyôs board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholdersô meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employeesô compensation and remuneration to directors and supervisors before and after amendment, please refer to employee benefits expense in Note 20(g).

The Companyʼs dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholdersʼ interests. When there is no cumulative loss, the Company shall set aside share dividends at no less than 50% of the net profit. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 30% of the total dividends.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Companyʼs paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Companyʼs paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2019 and 2018 approved in the shareholdersʼ meetings on June 18 2020 and June 20 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	$ 28,835	$ 21,136		
Special reserve	23,010	(31,957)		
Cash dividends	234,622	169,525	$ 1.3	$ 1.00
Share dividends	-	33,905	-	0.20

The appropriations of earnings for 2020 had been proposed by the Companyʼs board of directors on March 17, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings
	For the Year Ended December 31, 2020
Legal reserve	$ 46,153
Special reserve	$ 63,670
Cash dividends	$ 264,854
Share dividends	$ 113,509
Cash dividends per share (NT$)	$ 1.4
Share dividends per share (NT$)	$ 0.6

The appropriations of earnings for 2020 are subject to the resolution of the shareholdersʼ meeting to be held on June 22, 2021.

19. REVENUE RECOGNITION

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	$ 24,043,720	$ 25,480,026

	December 31	
	2020	2019
Contract liabilities - current		
Revenue from sale of goods	$ 192,459	$ 374,650

- Contract information

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of the semiconductor components. Sales of the semiconductor components are recognized as revenue when the goods are delivered to the customerôs specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The estimation of refund liabilities is made and adjusted based on historical experience And classified under other current liabilities, refer to Note 16.

20. NET PROFIT

Net profit was attributable to:

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	$ 4,805	$ 5,637

b. Other income

	For the Year Ended December 31	
	2020	2019
Rental income	$ 2,753	$ 1,500
Others	1,404	3,247
	$ 4,157	$ 4,747

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange gains and losses	$ 16,180	$ 48,005
Net profit on fair value changes of financial liabilities designated as at fair value through profit or loss	-	510
Gain on disposal of subsidiaries	16,069	-
Gain from bargain purchases on acquisition of subsidiaries (Note 10)	23,274	-
Compensations	-	(14,808)
Others	(19,633)	(22,640)
	$ 35,890	$ 11,067

d. Finance cost

	For the Year Ended December 31	
	2020	2019
Interest on bank loans/loans from related parties/convertible bonds	$ 82,864	$ 168,895
Interest on lease liabilities	146	168
	$ 83,010	$ 169,063

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating expenses	$ 15,196	$ 11,061

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	$ 10,627	$ 9,930
Defined benefit plans (Note 17)	587	649
	11,214	10,579
Other employee benefits	298,088	256,888
Total employee benefits expense	$ 309,302	$ 267,467
An analysis of employee benefits expense by function		
Operating cost	$ -	$ -
Operating expenses	309,302	267,467
	$ 309,302	$ 267,467

g. Employeesô compensation and remuneration of directors and supervisors

The Company accrues employeesô compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employeesô compensation, and remuneration to directors and supervisors. The employeesô compensation and remuneration to directors and supervisors for the years ended December 31, 2020 and 2019 which have been approved by the Companyôs board of directors on March 17, 2021 and March 13, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employeesô compensation	5.38%	8.21%
Remuneration to directors and supervisors	0.98%	1.35%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Employeesô compensation	$ 33,000	$ 24,370
Remuneration to directors and supervisors	6,000	4,000

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

There was no difference between the actual amounts of employeesô compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2019.

Information on the employeesô compensation and remuneration to directors and supervisors resolved by the Companyôs board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	$ 1,234,159	$ 1,353,811
Foreign exchange losses	(1,217,979)	(1,305,806)
Net income	$ 16,180	$ 48,005

21. INCOME TAXES

a. Major components of tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 42,609	$ 74,800
Income tax on unappropriated earnings	44	1,056
Adjustments for prior years	200	259
	42,853	76,115
Deferred tax		
In respect of the current year	69,723	(698)
Income tax expense recognized in profit or loss	$ 112,576	$ 75,417

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

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 573,864	$ 363,762
Income tax expense calculated at the statutory rate	$ 114,773	$ 72,752
Nondeductible expenses in determining taxable income	1,072	510
Tax-exempt income	(3,513)	840
Income tax on unappropriated earnings	44	1,056
Adjustments for prior yearsô tax	200	259
Income tax expense recognized in profit or loss	$ 112,576	$ 75,417

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized inventory loss	$ 8,455	$ 7,336	$ -	$ 15,791
Defined benefit obligation	4,938	(22)	130	5,046
Others	13,264	5,363	6,744	25,371
	$ 26,657	$ 12,677	$ 6,874	$ 46,208

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unappropriated earnings of subsidiaries	$ 86,319	$ 74,531	$ -	$ 160,850
Others	1,305	7,869	(9,174)	-
	$ 87,624	$ 82,400	$ (9,174)	$ 160,850

For the year ended December 31, 2019

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized inventory loss	$ 10,704	$ (2,249)	$ -	$ 8,455
Defined benefit obligation	4,697	(25)	266	4,938
Others	6,075	7,189	-	13,264
	$ 21,476	$ 4,915	$ 266	$ 26,657

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unappropriated earnings of subsidiaries	$ 78,412	$ 7,907	$ -	$ 86,319
Others	10,748	(3,690)	(5,753)	1,305
	$ 89,160	$ 4,217	$ (5,753)	$ 87,624

c. Income tax assessments

The income tax returns through 2018 have been assessed by the tax authorities; the Company provided its income tax to be assessed by the tax authorities.

22. EARNINGS PER SHARE

Net Profit for the Year

	For the Year Ended December 31	
	2020	**2019**
Profit for the period attributable to owners of the Company	$ 461,288	$ 288,345
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	2,759
Earnings used in the computation of diluted earnings per share	$ 461,288	$ 291,104

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2020	**2019**
Weighted average number of ordinary shares in computation of basic earnings per share	183,426*	173,631*
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	15,711
Bonus to employees	1,683	1,389
Weighted average number of ordinary shares used in the computation of diluted earnings per share	185,109	190,731

* It is the weighted average number of ordinary shares of 179,784 thousand shares plus 3,642 thousand shares from conversion of convertible bonds in 2020.

It is the weighted average number of ordinary shares of 172,916 thousand shares plus 715 thousand shares from conversion of convertible bonds in 2019.

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

24. FINANCIAL INSTRUMENTS

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

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ -	$ -	$ 172,063	$ 198,795

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

1) Fair value hierarchy

December 31, 2020: None.

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in debt instruments				
Trade receivables	$ 121,195	$ -	$ -	$ 121,195

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

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Financial assets at amortized cost (1)	$ 4,253,890	$ 2,695,358
Financial liabilities		
Amortized cost (2)	5,183,699	4,038,955

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, notes receivable, other receivables and other financial assets.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, trade payables, notes payable, bonds payable, long-term borrowings, and other payables.

d. Financial risk management objectives and policies

The Companyôs major financial instruments include equity investment, trade receivables, trade payables, borrowings and short-term bills payable. The Companyôs corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Companyôs activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below).

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Companyôs foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 28.

Sensitivity analysis

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

The following table details the Companyôs sensitivity to a 3% increase and decrease in the New Taiwan dollar (the functional currency) against the U.S. dollars currencies. Sensitivity rate of 3% is used when reporting foreign currency risk internally to key management personnel and represents managementôs assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthen 3% against the relevant currency. For a 3% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollars Impact	
	For the Year Ended December 31	
	2020	**2019**
Profit or loss	$ 64,617	$ 29,384

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial liabilities	$ 2,292,528	$ 2,689,568
Cash flow interest rate risk		
Financial assets	865,950	65,392
Financial liabilities	1,190,777	450,460

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 20 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 20 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by $650 thousand and $770 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company's credit risk was mainly concentrated in the two largest customers, which accounted for 46% and 52% of the total trade receivables as of December 31, 2020 and 2019, respectively.

Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

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

3) Liquidity risk

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

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

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

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

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 1,631,894	$ 60,671	$ 127,733	$ -
Lease liabilities	988	1,975	2,764	2,488
Variable interest rate liabilities	278	114,429	100,696	-
Fixed interest rate liabilities	2,044,578	755,102	470,816	-
Financial guarantee contracts	1,597,272	-	-	-
	$ 5,275,010	$ 932,177	$ 702,009	$ 2,488

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	$ 5,727	$ 2,488

December 31, 2019

Non-derivative financial liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-interest bearing	$ 992,677	$ 2,767	$ 985	$ -
Lease liabilities	671	1,342	4,862	2,888
Variable interest rate liabilities	731	66,927	2,610	-
Fixed interest rate liabilities	1,622,903	449,733	172,072	671,780
Financial guarantee contracts	2,395,941	-	-	-
	$ 5,012,923	$ 520,769	$ 180,529	$ 674,668

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	$ 6,875	$ 2,888

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31 2020	December 31 2019
Secured borrowing		
Amount used	$ 1,338,470	$ 950,000
Amount unused	2,085,530	2,048,000
	$ 3,424,000	$ 2,998,000
Unsecured borrowing		
Amount used	$ 2,144,776	$ 2,013,278
Amount unused	1,516,968	1,545,086
	$ 3,661,744	$ 3,558,364

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2020 and 2019 were as follows:

Counterparties	**Receivables Sold**	**Amounts Reclassified from Accounts Receivable to Other Receivables**	**Amounts Not Yet Advanced**	**Advances Received**
2020				
E.SUN Bank, KGI Bank, Taipei Fubon Bank, Taishin Bank, Bank SinoPac, DBS Bank and Cathay United Bank	US$ 118,779	US$ 11,793	US$ -	US$ 106,986
2019				
E.SUN Bank, O-Bank, KGI Bank, Taipei Fubon Bank, Taishin Bank, Bank SinoPac, DBS Bank and Cathay United Bank	US$ 177,823	US$ 17,880	US$ -	US$ 159,943

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

Pursuant to the Companyߴs factoring agreements, losses from commercial disputes were borne by the Company, while losses from credit risk were borne by the banks.

As of December 31, 2020 and 2019, the interest rates on advances received were 0.62%-1.11% and 1.05%-3.2%., respectively.

As of December 31, 2020 and 2019, the credit line was US$232,591 thousand and US$355,290, thousand, respectively.

25. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and relationship

Related Party Name	**Relationship**
All Plus Co., Ltd. (BVI)	Subsidiary
Alltek Technology (H.K.) Limited.	Subsidiary
Alltek Technology (Shenzhen) Ltd.	Subsidiary
YMY Co., Ltd.	Subsidiary
Pantek Technology Corp.	Subsidiary
Pantek Global Corp.	Subsidiary
Alltek Marine Electronics Corp.	Subsidiary
Alder Optomechanical Corp.	Associate (become subsidiary since March 2020)

b. Sales

Line Item	Related Parties Types	For the Year Ended December 31 2020	2019
Sales	Subsidiary		
	All Plus Co., Ltd. (BVI)	$ 60,144	$ 70,451
	Alltek Technology (H.K.) Limited	283,577	320,952
	Others	1,137	2,854
		$ 344,858	$ 394,257
	Associates	$ -	$ 12

The selling price was made at cost plus a fixed profit for related parties.

There were no significant differences in collection terms between related parties and third parties.

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

Line Item	Related Parties Types	For the Year Ended December 31 2020	2019
Payables	Subsidiary	$ 6,174	$ 4,906
Other payables	Subsidiary	15	207
		$ 6,189	$ 5,113

The outstanding trade payable from related parties are unsecured.

d. Purchases

Line Item	Related Parties Types	For the Year Ended December 31 2020	2019
Purchases	Subsidiary		
	Alltek Technology (H.K.) Limited.	$ 8,342	$ 14,162
	All Plus Co., Ltd. (BVI)	26,684	23,420
	Others	4,636	10,364
		$ 39,662	$ 47,946

The purchasing price was made at cost plus a fixed profit for related parties.

Terms of payment and purchasing prices for both related and third parties were similar.

e. Receivables from related parties (except loans to related parties)

Line Item	Related Parties Types	For the Year Ended December 31 2020	2019
Receivables	Subsidiary		
	Others	$ 301	$ 192
Other receivables	Subsidiary	$ 639	$ 630

Receivables from related parties were unsecured and did not recognize impairment losses.

f. Financing provided to others

Related Party Category/Name	December 31 2020	December 31 2019
Pantek Technology Corp.	$ -	$ 149,900

Interest revenue

Related Party Category/Name	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Pantek Technology Corp.	$ 2,733	$ 4,186

The Company provided Pantek Technology Corp. with unsecured short-term loans at rates comparable to market interest rates.

g. Endorsements and guarantees: Refer to Table 2.

h. Other transactions with related parties

Related Parties Types	Transaction Type	December 31 2020	December 31 2019
Subsidiaries	Rental revenue	$ 2,400	$ 1,500
Subsidiaries	Other revenue	$ -	$ 611

Pantek Technology Co., Ltd. had leased the warehouse in Xizhi, New Taipei City. The rental was $100 thousand from January to September, and $200 thousand from October to December, and received monthly in 2019. The rental was $200 thousand from January to December, and received monthly in 2020.

i. Compensation of key management personnel

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Short-term employee benefits	$ 38,739	$ 36,711
Post-employment benefits	850	1,587
	$ 39,589	$ 38,298

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2020	**2019**
Other financial asset	$ 571,018	$ 2,001
Property and plant, net	130,125	131,317
	$ 701,143	$ 133,318

27. OTHER ITEMS

Since the outbreak of the COVID-19 pandemic, governments of various countries have successfully implemented epidemic prevention measures. The domestic epidemic situation has slowed down, policies have loosened, the Company is operating as usual with no impairment of assets, and the acquisition and repayment of funds are normal; therefore, the COVID-19 pandemic has no significant impact on the operations of the Company.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 146,234	28.48 (USD:NTD)	$ 4,164,735
Non-monetary items			
Investments accounted for using the equity method			
USD	47,989	28.48 (USD:NTD)	$ 1,366,726
Financial liabilities			
Monetary items			
USD	70,605	28.48 (USD:NTD)	$ 2,010,827

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 83,721	29.98 (USD:NTD)	$ 2,452,712
Non-monetary items			
Investments accounted for using the equity method			
USD	34,947	29.98 (USD:NTD)	$ 1,047,709
Financial liabilities			
Monetary items			
USD	49,141	29.98 (USD:NTD)	$ 1,473,235

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	29.549 (USD:NTD)	$ 16,180	30.912 (USD:NTD)	$ 48,005

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (None)

10) Information on investees. (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

ALLTEK TECHNOLOGY CORP.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)	Note
													Item	Value			
0	Alltek Technology Corp.	Pantek Technology Corp.	Trade receivable from related parties	Yes	$ 270,000	$ 150,000	$ -	The highest loan rate borrowed from financial institution	Short-term accommodations	$ -	Operating turnover	$ -	-	$ -	$ 319,086	$ 1,595,428	

Note 1: Financial provided to individual shall not exceed ten percent (10%) of the net worth as per latest financial report.

Note 2: Financial provided to others provided shall not exceed fifty percent (50%) of the net worth as per latest financial report.

ALLTEK TECHNOLOGY CORP.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Alltek Technology Corp.	Pantek Technology Corp.	Subsidiary	$ 7,977,138	$ 756,680	$ 756,680	$ 186,031	$ -	24	$ 9,572,565	Y	-	-
		All Plus Co., Ltd. (BVI)	Subsidiary	7,977,138	284,800	256,320	56,960	-	8	9,572,565	Y	-	-
		Alltek Technology (H.K.) Limited	Subsidiary	7,977,138	2,671,424	2,443,584	1,354,281	-	77	9,572,565	Y	-	-

Note 1: Endorsement/guarantee given on behalf of each counterparty shall not exceed two hundred fifty percent (250%) of the net worth as per latest financial report.

Note 2: Endorsement/guarantee provided shall not exceed three hundred percent (300%) of the net worth as per latest financial report.

TABLE 3

ALLTEK TECHNOLOGY CORP.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Alltek Technology Corp.	Foreign private company convertible finance bill icClarity, Inc.	N	At fair value through profit or loss	-	$ -	-	$ -	-

ALLTEK TECHNOLOGY CORP.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
Alltek Technology Corp.	Alltek Technology (H.K.) Limited	Subsidiary	Sales	$ 283,577	1	180 days	Cost plus a fixed profit	No significant differences	Trade receivable $ -	-	-

TABLE 5

ALLTEK TECHNOLOGY CORP.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount			
Alltek Technology Corp.	Pantek Technology Corp.	Taiwan	Selling and marketing of communication components	$ 588,132	$ 388,132	53,200	100	$ 589,188	$ 32,108	$ 32,108	Subsidiary
	Alltek Marine Electronics Corp.	Taiwan	Designing and manufacturing of high quality AIS products	171,622	171,622	10,429	53	125,419	12,191	6,539	Subsidiary
	General Life Biotechnology Co., Ltd.	Taiwan	BeneCheck develops and manufactures in-vitro diagnostic biosensors	70,072	70,072	6,923	23	95,837	24,063	5,553	Associate
	Alltek Technology (S) Pte. Ltd.	Singapore	Selling and marketing of communication components	3,570	3,570	200	40	-	-	-	Associate
	Alder Optomechanical Corp.	Taiwan	Selling and manufacturing lighting devices	101,220	31,200	8,872	51	141,290	(85,192)	(26,635)	Subsidiary (Note)
	Alltek Group Corp.	Seychelles	Investments	621,839	621,839	20,000	100	1,366,453	372,657	372,657	Subsidiary
Pantek Technology Corp.	Pantek Global Corp.	Seychelles	Selling and marketing of communication components	US$ 4,750 ($ 135,280)	US$ 4,750 ($ 142,405)	-	100	189,696	39,808	N/A	Subsidiary
Alltek Group Corp.	Alltek Technology (H.K.) Limited	Hong Kong	Selling and marketing of communication components	US$ 28,759	US$ 28,759	222,450	100	US$ 31,280	US$ 1,235	N/A	Subsidiary
	All Plus Co., Ltd. (BVI)	British Virgin Islands	Selling and marketing of communication components	US$ 251	US$ 251	50	100	US$ 16,008	US$ 10,598	N/A	Subsidiary
	All Pan Co., Ltd.	Seychelles	Investments	US$ 750	US$ 750	750	100	US$ 701	US$ 763	N/A	Subsidiary

Note: Alder Optomechanical Corp. has became a subsidiary in March 2020.

ALLTEK TECHNOLOGY CORP.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
						Outward	Inward						
Alltek Technology Corp.	Alltek Technology (Shenzhen) Ltd.	Selling and marketing of communication components	RMB 13,270	Note 1	US$ 250 ($ 7,120)	$ -	$ -	US$ 250 ($ 7,120)	$ 829	100	$ 829	$ (28,587)	$ -
	YMY Co., Ltd.	Selling and marketing of communication components	US$ 750	Note 2	US$ 500 ($ 14,240)	-	-	US$ 500 ($ 14,240)	22,755	100	22,755	(19,934)	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
Alltek Technology Corp.	US$ 750 ($ 21,360)	US$ 2,506 ($ 71,371)	$ 1,914,513

Note 1: Indirect investment in China through third region company partners.

Note 2: The total amount invested in China shall not exceed sixty percent (60%) of the net worth of Alltek Technology Corp. partners.

ALLTEK TECHNOLOGY CORP.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss
		Amount	%		Payment Term	Comparison with Normal Transaction	Ending Balance	%	
YMY Co., Ltd.	Sales	$ 535	-	Cost plus a fixed profit	180 days after monthly closing	No significant differences	$ -	-	$ -

TABLE 8

ALLTEK TECHNOLOGY CORP.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Wu, Yi Wen	11,937,100	6.30
Mu Tsung Wang	10,230,000	5.40

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.