

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**SHUNSHIN TECHNOLOGY HOLDINGS LIMITED
AND SUBSIDIARY**

Consolidated Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2020 and 2019

Address: **Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119,
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Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 consolidated financial statements are those generally accepted and applied in the Republic of China. The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors of ShunSin Technology Holdings Limited,

Audit Opinion

We have audited the consolidated financial statements of ShunSin Technology Holdings Limited and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2020 and 2019, and the related consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policy.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASS”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

Please refer to note 4 (13) for accounting policy related to revenue recognition, and notes 6 (19)

for the information related to revenue of the consolidated financial report.

Description of key audit matter:

Due to sales transactions of the Group are depending on contracts, we need to judge individually to confirm the adequacy of revenue recognition. Additionally, the Group adopts IFRSs 15, which involves complex accounting treatments and policy may result in inappropriate performance obligations and recognition of revenue under IFRSs 15. In addition, it is necessary to evaluate and verify the completeness and accuracy of the relevant materials used, as well as the new disclosure requirements revenue recognition is listed as one of the important items in the audit of the financial statements of this year.

Our audit procedures included:

- Assess the appropriateness of accounting policy in accordance with the requirements of the IFRSs 15 and the understanding of operating and industry characteristics.
- Testing the effectiveness of the design and implementation of internal control over sales and collection cycle, and to examine major contracts to assess revenue recognition.
- Performing comparison analysis on sale of the current period to last period and the latest quarter, and performing trend analysis on sales from each top ten customer to assess the existence of any exceptions, and further identify and analyze the causes if there is any significant exception..
- Performing confirmation procedure of sales revenue and examining significant returns or exchanges after the balance sheet date to assess the assertions of the existence, accuracy, as well as the appropriateness of recognition.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether the sales of goods, sales returns and allowances have been the appropriately recognized.

2. Financial Assets at Fair Value through Profit and Loss

Please refer to note 4 (7) “Financial Instrument” for the accounting policies of financial assets measured at fair value through profit and loss; note 5 for accounting assumptions and estimation uncertainties of impairment of financial assets measured at fair value through profit and loss, and note 6 (2) and (22) “Financial Instrument” for the property and evaluation statements of financial assets measured at fair value through profit and loss.

Description of key audit matter:

The financial assets measured at fair value through profit and loss of the Group are susceptible to the operating conditions of the companies and the economic environment that the fund invests, resulting in greater changes in the subsequent profits or losses recognized as gains and losses at fair value re-measurement, thus adjusting the value of financial assets. Assessing the fair value of this financial asset often requires complicated evaluation techniques. Therefore, we listed the evaluation of financial assets measured at fair value of profits and losses as one of the key audit matters in the

audit of Financial Statements of this year.

Our audit procedures included:

- Obtain the appraiser's appraisal report of the invested Company entrusted by the Group, and evaluate the appraiser's qualification and independence.
- Evaluate the rationalities of the assumptions used in the appraisal report in estimating the price of an investment.
- Evaluate the rationalities of the recognition of profit and loss of financial assets in the accounts of the Group.

3. Recognition of deferred income tax asset

Please refer to Note 4 (17) "Income Tax" for accounting policies related to recognition of deferred tax asset; please refer to Note 6 (15) of "Income Tax" for descriptions of property and evaluation.

Description of key audit matter:

The subsidiaries of the Group operate in different countries and involve complex multinational tax systems. Due to the complexity of tax laws in different countries, the difference between the book amount and tax basis of foreign business entities, we listed the recognition of deferred income tax assets as one of the key audit matter in the audit of Financial Statements of this year.

Our audit procedures included:

- Obtain annual income tax declaration or verification data to determine major temporary difference adjustment items between book value and tax base.
- Evaluate the rationality of deferred income tax assets or liabilities arising from major temporary differences.
- Tax experts in the place where the foreign business entity is located are invited to participate in the assessment of the reasonableness of the items for the recognition of deferred income tax assets and liabilities and the recorded amount.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group

or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Accountant's Responsibility for Auditing Consolidated Financial Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

responsible for our audit opinion.

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

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

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

KPMG

Reviewed only, not audited in accordance with generally accepted auditing standards

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

Expressed in Thousands of New Taiwan Dollars

	Assets	2020.12.31		2019.12.31		Liabilities and equities	2020.12.31		2019.12.31	
		Amount	%	Amount	%		Amount	%	Amount	%
11xx	Current assets:					21xx	Current liabilities:			
1100	Cash and cash equivalents (Note 6 (1))	\$ 9,943,380	68	6,386,315	56	2100	Short-term loans (Note 6 (10))		\$ 4,513,883	31
1110	Current financial assets at fair value through profit or loss (Note 6(2)and (12))	13,607	-	1,429	-	2170	Accounts payable		319,494	2
1140	Current contract assets (Note 6 (19) and 7)	188,071	1	260,384	2	2180	Accounts payable to related parties (Note 7)		3,175	-
1151	Notes receivable (Note 6 (4) and (19))	-	-	710	-	2200	Other payables (Note 6 (20))		534,213	4
1170	Accounts receivable (Note 6 (4) and (19))	394,033	3	530,614	5	2220	Other payables to related parties (Note 7)		38,454	-
1181	Accounts receivable—related parties (Note 6 (4), (19) and 7)	701,751	5	571,492	5	2230	Current tax liabilities		31,553	-
1206	Other receivables (Note 6 (5))	10,945	-	124,014	1	2280	Current lease liabilities (Note 6 (13))		32,598	-
1220	Current tax assets	11,513	-	5,210	-	2321	Bonds payable, current portion (note 6 (12))		1,443,956	10
1310	Inventories (Note 6 (6))	325,196	2	334,061	3	2399	Other current liabilities		27,090	-
1410	Prepayments	36,522	-	102,552	1				6,944,416	47
1470	Other current assets	2,044	-	6,690	-				3,818,993	34
		11,627,062	79	8,323,471	73					
15xx	Non-current assets:					25xx	Non-current liabilities:			
1510	Financial assets measured at fair value through profit or loss— non-current (Note 6 (2) and (12))	446,000	3	478,401	4	2530	Convertible bonds payable (Note 6 (12))		-	-
1535	Non-current financial assets at amortised cost (Note 6 (3), (11) and 8)	8,000	-	-	-	2540	Non-current portion of non-current borrowings (Note 6 (18) and 8)		836,100	6
1600	Property, plant and equipment (Note 6 (7) and 7)	2,120,032	15	2,255,451	20	2570	Deferred tax liabilities (Note 6 (15))		520,289	4
1755	Right-of-use assets (Note 6 (8))	344,034	2	90,329	1	2580	Non-current lease liabilities (Note 6 (13))		33,187	-
1780	Intangible assets (Note 6 (9))	10,779	-	2,915	-	2630	Long-term deferred revenue		110,546	1
1840	Deferred tax assets (Note 6 (15))	115,075	1	268,126	2	2645	Guarantee deposits received		1,118	-
1915	Prepayments for business facilities	359	-	19,335	-				1,501,240	11
1920	Guarantee deposits paid	12,540	-	10,808	-				8,445,656	58
		3,056,819	21	3,125,365	27				1,962,063	17
1xxx	Total assets	\$ 14,683,881	100	11,448,836	100					
						31xx	Total equity attributable to owners of parent (Note 6 (12), (16) and (17)):			
						3110	Ordinary share		1,072,558	7
						3200	Capital surplus		2,816,502	19
						3300	Retained earnings:			
						3310	Legal reserve		403,331	3
						3320	Special reserve		345,229	2
						3350	Unappropriated retained earnings		1,887,499	13
									2,636,059	18
						3400	Other equity interest:			
						3410	Exchange differences on translation of foreign financial statements		(253,000)	(2)
						3500	Treasury shares		(74,605)	-
							Total equity attributable to owners of parent		(149,649)	(1)
						36xx	Non-controlling interests		6,197,514	42
						3xxx	Total equity		40,711	-
						2-3xxx	Total liabilities and equity		6,238,225	42
									\$ 14,683,881	100
									11,448,836	100

Reviewed only, not audited in accordance with generally accepted auditing standards

SHUNSHIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)

		2020		2019	
		Amount	%	Amount	%
4000	Operating Revenue (Note 6 (19) and 7):				
4110	Sales revenue	\$ 4,855,293	100	5,785,498	101
4170	Less: Sales return	-	-	3	-
4190	Sales discounts and allowances	5,604	-	40,691	1
	Operating Revenue	4,849,689	100	5,744,804	100
5000	Operating costs (Note 6 (6), (7), (8), (9), (13), (14) and 7)	3,269,332	67	4,358,305	76
5900	Gross profit from operations	1,580,357	33	1,386,499	24
6000	Operating expenses (Note 6 (4), (7), (8), (9), (13), (14), (17), (19), (20) and 7):				
6100	Selling expenses	38,811	1	33,253	-
6200	Administrative expenses	306,770	6	434,813	8
6300	Research and development expenses	272,144	6	280,919	5
6450	Impairment loss (impairment gain and reversal of impairment loss)	1,026	-	14,216	-
	Total operating expenses	618,751	13	763,201	13
6900	Net operating profits	961,606	20	623,298	11
7000	Non-operating income and expenses (Note 6 (2), (12), (13), (21) and 7)				
7100	Interest income	173,508	4	126,483	2
7010	Other income	59,199	1	143,513	3
7020	Other gains and losses	(122,078)	(3)	(41,506)	(1)
7050	Finance costs	(65,864)	(1)	(63,354)	(1)
	Total non-operating income and expenses	44,765	1	165,136	3
7900	Profit from continuing operations before tax	1,006,371	21	788,434	14
7950	Loss: Income tax expense (Note 6(15))	286,815	6	159,149	3
8200	Profit	719,556	15	629,285	11
8300	Other comprehensive income:				
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	92,841	2	(350,138)	(6)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	Other comprehensive income, net	92,841	2	(350,138)	(6)
8500	Total comprehensive income (loss)	\$ 812,397	17	279,147	5
	Profit, attributable to:				
8610	Owners of parent	\$ 724,859	15	638,315	11
8620	Non-controlling interests	(5,303)	-	(9,030)	-
		\$ 719,556	15	629,285	11
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 817,089	17	288,992	5
8720	Non-controlling interests	(4,692)	-	(9,845)	-
		\$ 812,397	17	279,147	5
	Basic earnings per share (expressed in New Taiwan Dollars) (Note 6 (18))				
9750	Basic earnings per share	\$ 6.88		6.16	
9850	Diluted earnings per share	\$ 6.52		5.67	

Reviewed only, not audited in accordance with generally accepted auditing standards

SHUNSHIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Retained earnings						Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital reserves	Legal reserves	Special reserve	Unappropriated retained earnings	Total					
Balance as of January 1, 2019	\$ 1,054,468	2,632,394	309,674	-	1,615,955	1,925,629	4,093	-	5,616,584	29,509	5,646,093
Earnings allocation and distribution:											
Legal reserve	-	-	29,825	-	(29,825)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(239,364)	(239,364)	-	-	(239,364)	-	(239,364)
Profit	-	-	-	-	638,315	638,315	-	-	638,315	(9,030)	629,285
Other comprehensive income (loss)	-	-	-	-	-	-	(349,323)	-	(349,323)	(815)	(350,138)
Total comprehensive income (loss)	-	-	-	-	638,315	638,315	(349,323)	-	288,992	(9,845)	279,147
Shares issued due to stock option executed	10,780	92,298	-	-	-	-	-	-	103,078	-	103,078
Purchase of treasury shares	-	-	-	-	-	-	-	(243,432)	(243,432)	-	(243,432)
Proceeds from sale of treasury shares	-	-	-	-	-	-	-	93,783	93,783	-	93,783
Share-based payment transactions	-	28,475	-	-	-	-	-	-	28,475	-	28,475
Balance at December 31, 2019	1,065,248	2,753,167	339,499	-	1,985,081	2,324,580	(345,230)	(149,649)	5,648,116	19,664	5,667,780
Earnings allocation and distribution:											
Legal reserve	-	-	63,832	-	(63,832)	-	-	-	-	-	-
Special reserve	-	-	-	345,229	(345,229)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(387,641)	(387,641)	-	-	(387,641)	-	(387,641)
Profit	-	-	-	-	724,859	724,859	-	-	724,859	(5,303)	719,556
Other comprehensive income (loss)	-	-	-	-	-	-	92,230	-	92,230	611	92,841
Total comprehensive income (loss)	-	-	-	-	724,859	724,859	92,230	-	817,089	(4,692)	812,397
Shares issued due to stock option executed	7,310	60,161	-	-	-	-	-	-	67,471	-	67,471
Proceeds from sale of treasury shares	-	-	-	-	-	-	-	75,044	75,044	-	75,044
Changes in ownership interests in subsidiaries	-	-	-	-	(25,739)	(25,739)	-	-	(25,739)	25,739	-
Share-based payment transactions	-	3,174	-	-	-	-	-	-	3,174	-	3,174
Balance at December 31, 2020	\$ 1,072,558	2,816,502	403,331	345,229	1,887,499	2,636,059	(253,000)	(74,605)	6,197,514	40,711	6,238,225

Reviewed only, not audited in accordance with generally accepted auditing standards

SHUNSHIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 1,006,371	788,434
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	492,935	588,500
Amortization expense	2,120	4,033
Expected credit loss for bad debt expense	1,026	14,216
Net loss on financial assets and liabilities at fair value through profit or loss	68,172	44,902
Interest expense	65,864	63,354
Interest income	(173,508)	(126,483)
Share-based payments	3,174	28,475
Property, plant and equipment transferred to expenses	246	254
Loss (gain) on disposal of property, plant and equipment	1,867	(5,165)
Rent concessions (recognized as other income)	(1,719)	-
Total adjustments to reconcile profit (loss)	<u>460,177</u>	<u>612,086</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Contract assets	72,313	89,684
Notes receivable	710	12,394
Accounts receivable	135,555	(33,523)
Accounts receivables – related parties	(130,259)	218,205
Other receivables	116,616	(15,792)
Inventories	8,865	167,479
Prepayments	66,030	139,236
Other current assets	(115,288)	(3,320)
Total changes in operating assets	<u>154,542</u>	<u>574,363</u>
Changes in operating liabilities :		
Accounts payable	(43,977)	(226,871)
Accounts payable – related parties	3,174	(365)
Other payables	190,890	46,518
Other payables – related parties	(6,298)	4,335
Other current liabilities	6,854	9,921
Long-term deferred income	16,456	28,598
Total changes in operating liabilities	<u>167,099</u>	<u>(137,864)</u>
Total changes in operating assets and liabilities	<u>321,641</u>	<u>436,499</u>
Total adjustments	<u>781,818</u>	<u>1,048,585</u>
Cash inflow (outflow) generated from operations	1,788,189	1,837,019
Interest received	169,961	127,225
Interest paid	(36,226)	(32,049)
Income tax paid	(32,747)	621
Net cash flows from (used in) operating activities	<u>1,889,177</u>	<u>1,932,816</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	(8,000)	-
Acquisition of financial assets at fair value through profit or loss	(64,096)	(571,513)
Acquisition of property, plant and equipment	(294,460)	(1,147,571)
Proceeds from disposal of property, plant and equipment	26,611	32,436
Increase in guarantee deposits paid	(1,732)	(773)
Acquisition of intangible assets	(9,789)	(665)
Acquisition of use-of-right assets	(135,471)	-
Increase in prepayments for business facilities	(584)	(19,335)
Net cash used in investing activities	<u>(487,521)</u>	<u>(1,707,421)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	7,050,973	7,044,962
Decrease in short-term loans	(5,559,319)	(5,657,754)
Proceeds from long-term debt	840,000	-
Increase (decrease) in guarantee deposits received	(341)	341
Payments of lease liabilities	(25,903)	(9,064)
Cash dividends paid	(387,641)	(239,364)
Shares issued due to stock option executed	67,471	103,078
Payments to acquire treasury shares	-	(243,432)
Proceeds from sale of treasury shares	75,044	93,783
Net cash flows from financing activities	<u>2,060,284</u>	<u>1,092,550</u>
Effect of exchange rate changes on cash and cash equivalents	<u>95,125</u>	<u>(224,937)</u>
Net increase (decrease) in cash and cash equivalents	<u>3,557,065</u>	<u>1,093,008</u>
Cash and cash equivalents at beginning of period	<u>6,386,315</u>	<u>5,293,307</u>
Cash and cash equivalents at end of period	<u>\$ 9,943,380</u>	<u>6,386,315</u>

Reviewed only, not audited in accordance with generally accepted auditing standards

SHUNSN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

SHUNSN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history:

ShunSin Technology Holdings Limited (formerly known as Amtec Holdings Limited, hereinafter referred to as “the Company”) was established in the Cayman Islands on January 8, 2008, and set up a branch in Taiwan on July 4, 2013. On August 28, 2013, the Company changed the Chinese name of Amtec Holding Limited to ShunSin Technology Holdings Limited through the Board of Directors resolution. The Company’s stock was listed on the Taiwan Stock Exchange on January 26, 2015. The Company and its subsidiaries (hereinafter referred to as “the Group”) are mainly engaged in the assembly, testing and sales of various integrated circuits related to semiconductors.

2. Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2021.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The details of impact on the Group’ s adoption of the new amendments beginning January 1, 2020 are as follows:

A. Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

This amendment provides a practical expedient. For rent concessions that meet certain conditions, the lessee may choose not to evaluate whether it is a lease modification, but to recognize the change in the lease payment in the profit or loss. This amendment is approved by the Financial Supervisory Commission, R.O.C. (“FSC”) in July, 2020, and may be applied in advance from January 1, 2020. Refer to notes 4 (10) for detailed accounting policy.

The Group chooses to apply the practical expedient for all eligible rent concessions in advance from January 1, 2020. This accounting change has no impact on the initial application date and the amount recognized in profit or loss in 2020 was 1,719 thousand.

B. Others

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The following new revised standards become effective from January 1, 2020 and would not have a significant impact on its consolidated financial report.

- a. Amendments to IFRS 3 “Definition of a Business”
- b. Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”
- c. Amendments to IAS 1 and IAS 8 “Definition of Material”

(2) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	2023/1/1
Amendments to IAS 1 “Disclosure of Accounting Policies”	<p>The key amendments to IAS 1 include:</p> <ul style="list-style-type: none">• requiring companies to disclose their material accounting policies rather than their significant accounting policies;• clarifying that accounting policies	2023/1/1

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related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

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The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

4. Summary of significant accounting policies

The significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements. Except for note 3 (1), 4 (10) that disclose the changes in accounting policies, the significant accounting policies presented in the consolidated financial statements are

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summarized as follows:

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(2) Basic of preparation

A. The basis of measurement

The consolidated financial report is prepared on the basis of historical cost, except for financial assets measured at fair value through profit and loss at fair value.

B. Functional and presentation currency

The functional currency of a Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(3) Basic of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of parent and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

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Name of Investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			December	December
			31,2020	31,2019
The Company	ShunSin Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunSin (Hong Kong))	Holding Company	90.15%	90.15%
The Company	ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as ShunSin (Samoa))	Overseas material and equipment purchase	100.00%	100.00%
The Company	ShunSin Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunSin (HaNoi))	Optical transceivers manufacturing	100.00% (Note1)	100.00% (Note1)
The Company	ShunSin Technology (Bac Giang, Vietnam) Limited(hereinafter referred to as ShunSin (Bac Giang))	Optical transceivers manufacturing	100.00% (Note2)	- %
The Company	ShunYun Technology Holdings Limited (hereinafter referred to as ShunYun (Cayman))	Holding Company	100.00% (Note3)	- %
ShunSin (Samoa)	ShunSin (Hong Kong)	Holding Company	9.85%	9.85%
ShunSin (Hong Kong)	ShunSin Technology (Zhongshan) Limited (hereinafter referred to as ShunSin (Zhongshan))	Assembly, testing and sales of high-speed optical transceiver module, high-frequency wireless communication module and various integrated circuits	100.00%	100.00%
ShunSin (Hong Kong)	ShunYun Technology (Zhongshan) Limited (hereinafter referred to as ShunYun (Zhongshan))	Optical transceivers manufacturing	100.00% (Note4)	- %
ShunSin (Zhongshan)	Talentek Microelectronics (Hefei) Limited (hereinafter referred to as Talentek (Hefei))	Design, R&D, measurement and sales of electrical equipment, communication equipment and automation equipment	66.25% (Note5)	55.00%

Note 1: ShunSin (Ha Noi) was registered on December 26, 2019 in Ha Noi, Vietnam. The authorized capital is US\$ 6,000 thousand. The Company invested US\$ 6,000 thousand on January 14, 2020, shareholding ratio is 100%.

Note 2: ShunSin (Bac Giang) was registered on May 8, 2020 in Bac Giang, Vietnam. The authorized capital is US\$ 40,000 thousand. The Company invested total US\$ 40,000 thousand on May 13 and July 15, 2020, shareholding ratio is 100%.

Note 3: ShunYun (Cayman) was registered on July 13, 2020 in Cayman Islands. The authorized capital is US\$ 40,000 thousand. The Company has invested total US\$430 thousand as of March 24, 2021, and the expected shareholding ratio is 100%.

Note 4: ShunYun (Zhongshan) was registered on November 26, 2020 in Zhongshan, Guangdong province, China. The authorized capital is US\$ 9,500 thousand. ShunSin (Hong Kong) invested total US\$ 9,500 thousand on February 1,2021, shareholding ratio is 100%.

Note 5: Talentek (Hefei) was approved by shareholders' meeting on October 6, 2020 to increase its capital by

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RMB 23,273 thousand in cash. ShunSin (Zhongshan) invested RMB 20,000 thousand on October 15, 2020, the expected shareholding ratio will be increased from 55% to 63.65%. The actual shareholding ratio is 66.25% according to invested capital, because several shareholders have not invested funds yet as of December 31, 2020.

Subsidiaries which are not included in the consolidated financial statement: None.

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rate at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated into the functional currencies using exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

B. Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rate at the reporting date. The income and expense of foreign operations, are translated into presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When the Group disposes of a foreign operating organization results in the loss of control, joint control or significant influence, the accumulated exchange differences related to the foreign operating organization shall be fully reclassified as profit or loss. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

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(5) Standards of classifying current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for purpose of trading;
- C. It is due to be settled within 12 months after the reporting period; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting period. Terms of a liability that could at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposit. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Accounts receivables and debt securities issued are initially recognized when transactions occurred. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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A. Financial assets

Where the purchase or sale of financial assets conforms to conventional transactions, all purchases and sales of financial assets classified in the same way by the Group shall be accounted for on the transaction date or settlement date.

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial assets is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through profit or loss(FVTPL)

Financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(c) Impairment of financial assets

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The Group recognize losses allowances for expected credit losses (ECL) on financial assets (including cash and cash equivalents, notes receivable and accounts receivable, other receivables and guarantee deposits paid, etc.) and contractual assets measured at post-amortization costs.

If the credit risk of bank deposits, other receivables and guarantee deposits paid (that is, the risk of default in the expected duration of the existence of financial instruments) has not increased significantly since the original recognition, it shall be measured as the loss allowance based on the expected 12-month credit loss amount.

Notes receivable, accounts receivable and contractual assets are measured against the expected amount of credit loss during the term of the contract.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (of a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future

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cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or delay of payments;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost and contractual assets are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

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(a) Classification of debt or equity

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

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Treasury stocks

When repurchasing the equity instruments recognized by the Company, the Company recognized as a decrease in equity base on the paying amount. (including directly attributable costs). The repurchased shares are classified as treasury stocks. Subsequent sales or reissue of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a paid-in capital or retained earnings (if the paid-in capital is insufficient).

(d) Compound financial instruments

Compound financial instruments issued by the Group are convertible bonds (denominated in New Taiwan dollars) that the holder has the option to convert into share capital, and the number of shares issued will not vary with changes in their fair value.

The original recognized amount of a compound financial liability is measured by the fair value excluding equity conversion rights. The original recognized amount of the equity component is measured by the difference between the fair value of the overall composite financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liabilities and equity components based on the proportion of the original debt and equity book value.

After the initial recognition, the liability component of the composite financial instrument is measured using the effective interest rate method after amortization. The equity components of compound financial instruments are not remeasured after they are initially recognized.

Interest related to financial liabilities is recognized as profit or loss. Financial liabilities

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are reclassified as equity at the time of conversion, and the conversion does not generate profit or loss.

(e) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(f) Derecognition of financial liabilities

The Group excludes financial liabilities when contractual obligations have been fulfilled, cancelled or expired. When the terms of financial liabilities changed and the cash flow of the modified liabilities is significantly different, the original financial liabilities are excluded and the new financial liabilities are recognized at fair value based on the revised terms.

When excluding financial liabilities, the difference between their carrying amount and the total payment (including any transferred non-cash assets or liabilities assumed) is recognized as profit or loss.

(g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset when the Group has the legal right to offset and intend to deliver or simultaneously realize the assets and settle the liabilities, expressing them in the balance sheet in net.

C. Derivative financial instruments

The Group hold derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and change therein are generally recognized in profit or loss.

(8) Inventories

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The original cost of inventory refers to the acquisition, production or processing costs and other costs incurred when the inventory reaches the available location and status, and the moving average method is adopted for calculation.

The subsequent measurement of inventory is based on the lower cost and net realizable value of each category of inventory, while the net realizable value is calculated on the basis of the reduction of the estimated selling price on the balance sheet day from the cost and sales cost of the completed investment. When the cost of inventory exceeds the net realized value, the inventory cost shall be reduced to the net realized value and the amount of such write-off shall be recognized as the cost of goods sold. If the net realizable value increases in the subsequent period, the net realizable value of the revolving inventory increases within the original deduction amount and is recognized as a reduction in the cost of current sales.

(9) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment are measured by cost less accumulated depreciation and any accumulated impairment.

When the major components of property, plant and equipment have different economic lives, they are treated as separate items (main components) of property, plant and equipment.

The gain or loss generated from the disposal of property, plant and equipment are recognized as profit or loss.

B. Subsequent cost

Subsequent expenditures are capitalized when their future economic benefits are likely to flow into the Group.

C. Depreciation

Depreciation is calculated based on the cost of assets minus the residual value, and the straight-line method is adopted to recognize profit or loss within the estimated useful life.

The estimated service life of various assets in the current period and comparison period is as follows:

(a) Buildings and structures	21 years
(b) Machinery and equipment	1 year 10 months to 6 years
(c) Office equipment (including computer and telecommunication	4 to 6 years

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equipment)	
(c) Testing equipment	1 to 6 years
(e) Other facilities	1 to 10 years
(f) Lease improvement	1 to 10 years

The Group reviews the depreciation method, useful life and residual value on each reporting day, and makes appropriate adjustments if necessary.

(10)Lease

A. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses Whether:

- (a) The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identically; and
- (b) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) The Group has the right to direct the use of the asset throughout the period of use only if either:
 - The Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - The relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

On the lease establishment date or when reassessing whether the contract includes a lease, the Group allocates the consideration in the contract to the individual lease components on the basis of the relative separate price.

B. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the

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lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that are cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) Fixed payments, including in-substance fixed payments;
- (b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) Amounts expected to be payable under a residual value guarantee; and
- (d) Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) There is a change in future lease payments arising from the change in an index or rate; or
- (b) There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) There is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or
- (d) There is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) There is any lease modifications.

When the lease liability is remeasured due to the changes of index or rate, residual value deposit, and the assessment of purchase, extend or terminate option, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for

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lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The rental periods of office, staff dorm, and machinery are short-term lease, the Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities, and recognized as expenses during the lease period on a straight-line basis.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (I) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (II) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (III) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- (IV) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(11) Intangible assets

A. Recognition and measurement

The Group obtains intangible assets with limited service life, which is measured by cost less accumulated amortization and accumulated impairment.

B. Subsequent expenditure

Subsequent expenditures may be capitalized only if they increase the future economic benefit of the particular asset concerned. All other expenditures are recognized as gains and losses when incurred.

C. Amortization

Intangible assets are computer software, which are amortized on a straight-line basis over the estimated service life of five years from the moment they become available for use.

The Group reviews the amortization method, useful life and residual value of intangible assets on each reporting day, and makes appropriate adjustments if necessary.

(12) Impairment of non-financial assets

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The Group assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventory, contract assets and deferred income tax assets) may be impaired. If any signs exist, the Group shall re-estimate the asset's recoverable amount.

For the purpose of impairment test, a group of assets whose cash inflow is mostly independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group.

The recoverable amount is the greater of the fair value of individual assets or cash-generating units minus the disposal cost and its use value. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss, and the book value of each asset is reduced in proportion to the book value of each other asset in the unit.

Non-financial assets other than goodwill will only be reversed within its book value (less depreciation or amortization) determined when the asset did not recognize impairment losses in previous years.

(13) Revenue recognition

Most products producing by the Group as work-in-process are under control of client, thus, the Group recognized revenue during the process of produce. Main revenue items are as follows:

A. Revenues from packaging and testing service

The Group provides processing services such as packaging and testing, and recognizes the relevant income during the reporting period of providing processing services. The Group shall recognize revenue on the basis of the proportion of the standard cost of services provided as at the reporting date to the total standard cost of services.

If conditions change, estimates of revenues, costs and levels of completion will be revised and changes made during the period when management is informed of the changes will be reflected in profit and loss.

B. Revenue from merchandise sales

Revenue from merchandise sales comes from sales of automotive electronics, fingerprint identification and thick film products. The goods promised by the Group will be shipped or delivered to the place designated by the customer according to the transaction conditions, and

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the customer will recognize the income and accounts receivable when the customer obtains the control of the goods and meets the performance obligations.

C. Financial components

The Group expect that the time interval between the transfer of goods or services to customers by all customer contracts and the payment of goods or services by customers will not exceed one year. Therefore, the Group do not adjust the monetary time value of the transaction price.

(14) Employees benefits

The obligation to allocate a pension plan is defined as the employee's welfare expenses recognized as profit and loss during the period of service provided by the employee.

Short-term employee welfare obligations are measured on a non-discounted basis and are recognized as expenses in the provision of related services.

The amount of expected payment under a short-term cash bonus or bonus scheme is recognized as a liability if the Group have a current statutory or presumptive obligation to pay due to the past service provided by its employees and the obligation can be reliably estimated.

Subsidiaries in mainland China shall, in accordance with local government decrees, allocate pensions in proportion to one of the basic salaries of their employees and pay them to the relevant government departments, and deposit them exclusively in separate accounts of their employees.

(15) Government subsidies

The Group recognizes an unconditional government subsidy related to the business in profit or loss as other income when the subsidy becomes receivable. Subsidies that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Share-based payment transactions

The employee shall be entitled to a share-based award for the fair value of the day, and shall recognize the remuneration cost and increase the relative rights and interests within the period when the employee can get the remuneration unconditionally. The recognized remuneration costs shall be adjusted in accordance with the quantity of the award which is expected to meet the conditions of service and which is not obtained at the market price; The final recognition amount

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is based on the amount of rewards that meet the conditions of service and non-market price on the vested day.

The non-vested conditions of share-based payment have been reflected in the measurement of the fair value of share-based payment and the difference between expected and actual results need not be verified and adjusted.

(17) Income tax

Income tax expenses include current and deferred income taxes. The current income tax and deferred income tax shall be recognized as profit and loss, except for those project stakeholders who are directly recognized as equity or other comprehensive gains and losses after consolidation.

Current taxes comprise the expected tax payables or receivables on the taxable profit (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount is based on the statutory tax rate at the reporting date or the tax rate of the substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred income tax is a measure of the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

- A. Assets or liabilities not originally recognized in the transaction of a consolidation and which do not affect accounting profits and taxable income (losses) at the time of the transaction.
- B. Arising from investments in subsidiaries and joint venture interests which are likely not to be converted in the foreseeable future.
- C. Original recognition of goodwill.

Deferred income tax is measured at the tax rate at which the temporary difference is expected to revert, and is based on the legal tax rate or substantive legislative tax rate at the reporting date.

Deferred income tax assets and deferred income tax liabilities shall be offset only when the Group simultaneously meets the following conditions:

- A. Having the legal enforcement power to offset the current income tax assets and current income tax liabilities; and
- B. Deferred income tax assets and deferred income tax liabilities are related to any of the following entities that are subject to income tax levied by the same tax authority;

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- (a) The same taxpayer; or
- (b) Different tax payers, however, each tax payer intends to pay current income tax liabilities and assets on a net basis for each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be paid, or to realize assets and liabilities at the same time.

For unused taxation losses and unused income tax deduction in the later period of transfer, it may be considered as deferred income tax assets to the extent that future taxable income may be available. It will be re-assessed on each reporting day and adjusted to the extent that the relevant income tax benefits are not likely to be realized; such reduction are reversed when the probability of future taxable profit improves.

(18) Earnings per share

The Group list the basic and diluted earnings per share attributable to the general equity holders of the Company. The basic earnings per share of the Group shall be calculated by dividing the profits and losses attributable to the common equity holders of the Company by the weighted average number of common shares outstanding in the current period. Shares added due to surplus or capital reserve transferred to capital increase shall be calculated by retroactive adjustment. If the base date of the transfer of surplus or capital reserve to capital increase is prior to the submission of financial statements, the adjustment shall be made retroactively.

Diluted earnings per share are calculated after adjusting for the effect of all potential diluted common shares on the profits and losses attributable to holders of the Company's common shares and the weighted average number of outstanding common shares. The Company's potential dilution of common share includes employee compensation, employee stock options, and bonds.

(19) Information of the departments

The operations department is an integral part of the Group and engages in business activities that may generate revenue and incur expenses (including revenues and expenses related to transactions between other components of the Group), together with separate financial information. The operating results of all operating departments are regularly reviewed by the major operating decision makers of the Group to determine the allocation of resources to the decisions of the department and to evaluate its performance.

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5. Major Sources of Uncertainty in Accounting Judgments, Estimates and Assumptions

In preparing these consolidated financial reports in accordance with the IFRS recognized by the FSC, management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, earnings and expenses. The actual results may differ from the estimates.

Management continuously reviews estimates and basic assumptions and recognizes accounting estimates changes during periods of change and in the affected future periods.

The information relating to the uncertainty of the assumptions and estimates that there is a material risk that will cause a material adjustment in the next financial year is measured by the fair value of the financial asset as measured by profit and loss at fair value, In the process of re-measurement of its fair value, the Group must rely on the external appraisal report. The evaluation in the report is easy to be affected by the operating status of the invested companies and the changes in the overall industrial boom, so that the subsequent re-measurement of the interests or losses generated by the fair value will have a large range of changes in the recognition of gains and losses, so that the value of financial assets will be adjusted. Please refer to note 6 (22) for the description of financial asset evaluation through profit and loss at fair value.

6. Description of important accounting items

(1) Cash and cash equivalents

	2020.12.31	2019.12.31
Current deposit	\$ 7,477,843	3,618,592
Times deposit	<u>2,465,537</u>	<u>2,767,723</u>
Cash and cash equivalents as shown in the consolidated cash flow statement	<u>\$ 9,943,380</u>	<u>6,386,315</u>

For the disclosure of interest rate risk and sensitivity analysis of the Group's financial assets, please refer to note 6 (22) for details.

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

A. Current

	2020.12.31	2019.12.31
Financial assets designated at fair value through profit and loss:		
Derivative financial assets		
Right to redeem and sell back bonds	\$ 2,550	-
Financial assets held for trading:		
Non hedging derivatives		

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Forward foreign exchange contract	11,057	1,429
	\$ 13,607	1,429

The Group engages in derivative financial commodity transactions to avoid exchange rate risks exposed by business activities.

The details of the Group's derivative instruments reported as financial assets measured at fair value through profit or loss due to the absence of hedge accounting on December 31, 2020 and 2019 are as follows:

Forward foreign exchange contract:

	2020.12.31			Fair value asset (Liability)
	Contract amount	Currency	Period	
Sell forward foreign exchange	USD 15,000	USD to RMB	2021.1.28~2021.3.2	\$ 11,057

	2019.12.31			Fair value asset (Liability)
	Contract amount	Currency	Period	
Sell forward foreign exchange	USD 9,000	USD to RMB	2020.2.13	\$ 1,429

B. Non-current

	2020.12.31	2019.12.31
Financial assets designated at fair value through profit and loss:		

Derivative financial assets

Right to redeem and sell back bonds	\$ -	2,250
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Non-derivative financial assets

Stocks of domestic unlisted companies	65,472	-
Private Equity	380,528	476,151
	\$ 446,000	478,401

ShunSin (Zhongshan), a subsidiary of the Group, invested RMB 15,000 thousand in Lansus Technologies Inc. and RMB 125,000 thousand in Jinan Fujie Industrial Investment Fund Partnership (Limited Partnership) respectively, in order to strengthen customer relationship, strive for future packaging business in mainland China, integrate resources, and develop a strategic cooperation network for the semiconductor industry.

Please refer to note 6 (20) for the amount recognized as profit or loss in the fair value re-measurement.

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Please refer to note 6 (21) for the amount recognized as profit or loss in the fair value re-measurement.

(3) Financial assets at amortised cost

	2020.12.31	2019.12.31
	\$	-
Restricted bank deposits	\$ 8,000	-

The Group recognized as financial assets measured at amortized cost, whose intention is to hold the asset to maturity to collect contractual cash flow which is solely payment of principal and interest on the principal amount outstanding.

The Group started to use long-term loans in October, 2020. According to the contract, the amount of 8,000 thousand was deposited into the joint loan interest custody account as a collateral for loans.

Please refer to note 8 for the details of collateral for long-term loans as of December 31, 2020.

(4) Notes receivable and accounts receivable

	2020.12.31	2019.12.31
	\$	-
Notes receivable	\$ -	710
Accounts receivable	408,279	544,416
Accounts receivable-related party	701,751	571,492
Less: loss allowance	<u>(14,246)</u>	<u>(13,802)</u>
	\$ 1,095,784	1,102,816

Notes receivable and accounts receivable of the Group are not discounted or provided as collateral.

The notes receivable and accounts receivable are estimated using the simplified method of estimating the anticipated credit loss for all notes receivable and accounts receivable on behalf of the customer according to the contract terms for the Group. For this purpose, the common credit risk characteristics of the ability to pay all amounts due are grouped and included in forward-looking information, including information on the overall economy and related industries.

The anticipated credit loss of notes receivable and accounts receivable of the Group on December 31, 2020 and 2019 are analyzed as follows:

	2020.12.31	
	Book value of notes receivable and accounts receivable	Weighted average anticipated credit loss rate (%)
		Provision against anticipated credit losses during the continuance of

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	existence
Not overdue	\$ 1,031,592 - -
Past due 1-30 days	62,861 - -
Past due 31-60 days	1,320 - -
Past due 61-90 days	10 - -
Past due 91-120 days	<u>1</u> - -
	\$ 1,095,784 - -

The Group has recognized whole amount of \$14,426 thousand toward the accounts receivable with evidence showing that it cannot reasonably be expected to be recovered.

	2019.12.31	Provision against anticipated credit losses during the continuance of existence
	Book value of notes receivable and accounts receivable	Weighted average anticipated credit loss rate (%)
Not overdue	\$ 1,076,185 - -	- -
Past due 1-30 days	26,488 - -	- -
Past due 61-90 days	<u>143</u> - -	- -
	\$ 1,102,816 - -	- -

The Group has recognized whole amount of \$13,802 thousand toward the accounts receivable with evidence showing that it cannot reasonably be expected to be recovered.

The Group's statement of allowance of uncollectible notes receivable and accounts receivable is as follows:

	2020	2019
Opening balance	\$ 13,802 -	-
Recognized loss allowance	1,026 14,216	14,216
Exchange gain (loss)	<u>(582)</u> (414)	(414)
Ending balance	\$ 14,246 13,802	13,802

Financial assets previously mentioned are not used as guarantees for short-term loans and line of credit.

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(5) Other receivables

	2020.12.31	2019.12.31
	\$ 10,945	124,014

Other receivables of the Group were not overdue in December 31, 2020 and 2019.

(6) Inventories

	2020.12.31	2019.12.31
Raw materials	\$ 292,040	290,640
Work-in-process	12,389	22,380
Finished products (including semi-finished products)	20,767	21,041
	\$ 325,196	334,061

Operating costs recognized for the year of 2020 and the year of 2019 of the Group:

	2020	2019
	\$ 3,250,665	4,341,863
Cost of selling inventories	21,407	17,782
Loss allowance for inventory valuation losses and slow-moving inventories	(2,740)	(1,340)
Revenue from sale of scraps	\$ 3,269,332	4,358,305

As of December 31, 2020 and 2019, the inventory of the Group has not been provided as a pledge guarantee.

(7) Property, plant and equipment

The changes in the costs, depreciation and impairment losses of the real estate, plant and equipment of the Group in the year of 2020 and the year of 2019 are as follows:

	Housing and building	Machinery and equipment	Office equipment (including computer communication equipment)	Inspection equipment	Other equipment	Lease improvement	Unfinished construction and equipment to be inspected	Total
Cost or recognized cost:								
Balance as of January 1, 2020	\$ 482,658	2,716,649	64,547	999,550	349,634	46,118	641,337	5,300,493
Addition	-	92,588	3,887	33,176	72,607	146	104,772	307,176
Disposal	-	(213,290)	(572)	(103,495)	(10,286)	-	-	(327,643)
Re-classification	-	28,458	18	1,273	19,104	-	(29,539)	19,314
Translation effect	7,279	40,321	822	13,428	4,190	725	11,189	77,954
Balance as of December 31, 2020	\$ 489,937	2,664,726	68,702	943,932	435,249	46,989	727,759	5,377,294

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Balance as of January 1, 2018	\$ 502,706	2,778,440	67,299	1,036,364	315,109	48,033	420,619	5,168,570
Addition	-	76,581	356	43,368	20,020	-	327,637	467,962
Disposal	-	(61,821)	(433)	(54,366)	(54)	-	-	(116,674)
Re-classification	-	35,817	-	15,826	29,704	-	(81,601)	(254)
Translation effect	(20,048)	(112,368)	(2,675)	(41,642)	(15,145)	(1,915)	(25,318)	(219,111)
Balance as of December 31, 2019	\$ 482,658	2,716,649	64,547	999,550	349,634	46,118	641,337	5,300,493
Depreciation and impairment losses:								
Balance as of January 1, 2020	\$ 203,563	1,922,956	54,049	616,868	236,874	10,732	-	3,045,042
Depreciation of the year	26,374	233,216	7,674	142,200	47,449	4,914	-	461,827
Disposal	-	(198,902)	(572)	(94,815)	(4,876)	-	-	(299,165)
Translation effect	3,699	30,434	980	10,367	3,815	263	-	49,558
Balance as of December 31, 2020	\$ 233,636	1,987,704	62,131	674,620	283,262	15,909	-	3,257,262
Balance as of January 1, 2019	\$ 184,420	1,786,661	48,526	505,286	150,474	5,560	-	2,680,927
Depreciation of the year	27,596	276,795	8,194	164,115	96,288	5,617	-	578,605
Disposal	-	(61,821)	(433)	(27,095)	(54)	-	-	(89,403)
Translation effect	(8,453)	(78,679)	(2,238)	(25,438)	(9,834)	(445)	-	(125,087)
Balance as of December 31, 2019	\$ 203,563	1,922,956	54,049	616,868	236,874	10,732	-	3,045,042
Book value:								
Balance as of December 31, 2020	\$ 256,301	677,022	6,571	269,312	151,987	31,080	727,759	2,120,032
Balance as of December 31, 2019	\$ 279,095	793,693	10,498	382,682	112,760	35,386	641,337	2,255,451

(8) Right-of-use assets

The cost and depreciation of the Group's leased land, building and transportation equipment, etc., and its changes are as follows:

	Land	Building	Vehicle	Total
Cost of right-of-use assets:				
Balance as of January 1, 2020	\$ 39,253	54,982	5,595	99,830
Acquisition	251,505	41,742	3,773	297,020
Decrease(contract expired)	-	-	(2,438)	(2,438)
Exchange rate changes	(8,487)	(4,328)	119	(12,696)
Balance as of December 31, 2020	\$ 282,271	92,396	7,049	381,716
Balance as of January 1, 2019	\$ -	-	-	-
Retrospective application of new standard adjustments	40,884	10,133	5,828	56,845
Balance as of January 1, 2019 after adjustment	40,884	10,133	5,828	56,845
Acquisition	-	45,253	-	45,253
Exchange rate changes	(1,631)	(404)	(233)	(2,268)
Balance as of December 31, 2019	\$ 39,253	54,982	5,595	99,830
Depreciation of right-of-use assets:				
Balance as of January 1, 2020	\$ 1,372	5,405	2,724	9,501
Depreciation	2,565	25,821	2,722	31,108

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Decrease(contract expired)	-	-	(2,438)	(2,438)
Exchange rate changes	5	(532)	38	(489)
Balance as of December 31, 2020	\$ 3,942	30,694	3,046	37,682
Balance as of January 1, 2019	\$ -	-	-	-
Retrospective application of new standard adjustments	-	-	-	-
Balance as of January 1, 2019 after adjustment	-	-	-	-
Depreciation	1,429	5,629	2,837	9,895
Exchange rate changes	(57)	(224)	(113)	(394)
Balance as of December 31, 2019	\$ 1,372	5,405	2,724	9,501
Book value:				
Balance as of December 31, 2020	\$ 278,329	61,702	4,003	344,034
Balance as of December 31, 2020	\$ 37,881	49,577	2,871	90,329

(9) Intangible assets

The cost, amortization and impairment losses of the Group' intangible assets for the year of 2020 and 2019 are as follows:

	Cost of computer and software
Cost:	
Balance as of January 1, 2020	\$ 20,061
Acquisition	9,789
Impact of exchange rate changes	504
Balance as of December 31, 2020	\$ 30,354
Balance as of January 1, 2019	\$ 20,229
Acquisition	665
Impact of exchange rate changes	(833)
Balance as of December 31, 2019	\$ 20,061
Amortization and impairment losses:	
Balance as of January 1, 2020	\$ 17,146
Amortization for current period	2,120
Impact of exchange rate changes	309
Balance as of December 31, 2020	\$ 19,575

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Balance as of January 1, 2019	\$ 13,825
Amortization for current period	4,033
Impact of exchange rate changes	(712)
Balance as of December 31, 2019	\$ 17,146
Book value:	
Balance as of December 31, 2020	\$ 10,779
Balance as of December 31, 2019	\$ 2,915

The amortization expenses of intangible assets for 2020 and 2019 are reported under the consolidated income statement as follows:

	2020	2019
Operating costs	\$ 651	855
Operating expenses	<u>1,469</u>	<u>3,178</u>
	\$ 2,120	4,033

(10) Short-term loans

The details of the short-term loans of the Group are as follows:

	2020.12.31	2019.12.31
Unsecured bank loans	\$ 4,513,883	3,022,229
Line of credit	\$ 2,317,649	2,879,756
Interest rate range (%)	0.72~1.3	0.70~2.43

The Group did not set up assets as collateral for bank loan guarantee.

(11) Long-term loans

The details of the long-term loans of the Group are as follows:

	2020.12.31	2019.12.31
Guarantee bank loans	\$ 840,000	-
Less: deferred financing fee	(3,900)	-
Part due within one year	-	-
Total	\$ 836,100	-
Line of credit	\$ 3,060,000	3,900,000
Interest rate range (%)	1.85	-

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Maturity range	<u>2022.12.26</u>	<u>2022.12.26</u>
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A. Collateral for loans

The group started to use long-term loans in October 2020. According to the contract, the amount deposited into the joint loan interest custody account as a loan guarantee is 8,000 thousand. Please refer to note 8 for more information on the collateral loans.

B. Loan contract

According to the provisions of the loan contract, during the loan period, the Group shall calculate and maintain financial covenants based on the consolidated financial report of each year for which the accountant audited, and the consolidated financial report for the second quarter of each year reviewed by the accountant. Financial covenants such as debt ratio, interest protection multiples and tangible net worth. And since the date of first use, it will be checked every half of the fiscal year. If it does not conform to the above ratio, within three months from April 1 of the following year of the audit year or August 15 of the year of the audit year, the financial ratio shall be improved by cash increase or other methods to meet the financial covenants, ie not considered as default.

As of December 31, 2020, the Group complies with the financial ratios and requirements of the aforementioned commitments.

In accordance with the provisions of the loan contract, the Group shall pay off the principal on the 36th month from the first use date, and shall repay the balance of the principal in five instalments every six months thereafter. The amount of long-term loans due within one year of the Group as of December 31, 2020 is 0 thousand.

(12) Convertible bonds payable

	2020.12.31	2019.12.31
The total amount of convertible bonds issued	\$ 1,500,000	1,500,000
Decrease: amount of discount on issuing convertible bonds	142,650	142,650
Underwriting expenses	7,294	7,294
Compound present value of bonds converted at issuance	1,350,056	1,350,056
Amortization of convertible bonds at discount	86,400	56,172
Premium issuance cost of convertible bonds	7,500	7,500
Ending balance of convertible bonds payable	\$ 1,443,956	1,413,728

In accordance with the official document No. 1060050468 issued by FSC, the Group issued the unsecured convertible bonds within R.O.C. for the first time on January 10, 2018. The maximum issuance amount was \$1,530,000 thousand. Pricing had been completed on February 2, 2018.

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With February 12, 2018 as the date of issue, the convertible bonds were issued at 100.5% of face value at NT \$100 thousand each. The total number of issues was 15,000, the total amount of issues was NT \$1,500,000 thousand, and the raised amount was \$1,507,500 thousand. The duration shall be five years from the date of issue, and the maturity date shall be the date on which the coupon interest rate is 0% per annum, and the conversion price shall be \$175.2 per share.

The convertible bonds issued by the Group shall be separated from the liabilities and shall be recognized as equity and liabilities in accordance with the provisions of IFRS 9.

The value of the convertible bonds at the time of issue	\$ 1,357,350
Embedded derivative financial product at issue (i.e., put and call)	13,650
Composition of equity at issue (i.e. conversion rights)	<u>129,000</u>
	<u>\$ 1,500,000</u>

A. The main terms of issuance of the above convertible bonds are as follows:

First unsecured convertible bonds

- (a) Coupon rate: 0%.
- (b) Duration: five years (from February 12, 2018 to February 12, 2023).
- (c) Re-payment method: In addition to the redemption by the Group and the request of the creditors to sell back or convert into stocks, the maturity of the bond will be repaid in cash at one time according to the face value of the bond.
- (d) Conversion period: from the next day after the third months of the issuance of the convertible bonds (May 13, 2018) to the maturity date (February 12, 2023), the creditor shall, in accordance with the conversion method, request the Group to convert the convertible bonds into common shares.
- (e) Redemption of the Group on the convertible bonds: from the next day after the third months of the issuance of the convertible bonds (May 13, 2018) to the maturity date (February 12, 2023), if the closing price of the common stock of the Company exceeds 30% of the conversion price at that time for 30 consecutive business days, or if the total amount of the bond that has not yet been converted is less than 10% of the total amount of the bond issued, the Group may send to the creditor a notice of bond recovery at the expiration of 30 days, and request the OTC to make a public announcement to exercise the right to redeem the convertible bonds.
- (f) Put provision of bond holders: The date of expiration of three years after the issuance of the convertible Company bonds (February 12, 2021) shall be the base date on which the bondholders sell back the bonds to the Group in advance, and the convertible bonds held by the bondholders shall be sold back in cash; In accepting the resale request, the Group shall, within five business days after the base date of resale, deliver the money to the bondholders by means of remittance.

Reviewed only, not audited in accordance with generally accepted auditing standards

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(g) Conversion price: The conversion price of the converted Company's bonds shall be determined on February 2, 2018 as the base date of the conversion price. The simple arithmetic average of the closing price of the Company's common shares shall be the base price, multiplied by the conversion premium of 113%. This is the basis for calculating the conversion price (calculated to \$ 0.1, and rounded below). In the case of ex-dividend before the datum for determining the conversion price, the ex-dividend price shall be calculated as the closing price of the conversion price after the adoption; The conversion price shall be adjusted according to the conversion price adjustment formula in the event of deduction or interest deduction from the decision to the actual issuance date. The conversion price of the convertible bonds is \$175.2 per share while it was issued; from July 20, 2020, which is ex-dividend base date, the conversion price is \$165.4 per share.

B. Financial liabilities at fair value through profit or loss-non-current, the details are as follows:

	2020.12.31	2019.12.31
Initial balance of embedded derivative financial commodity (put and call)	\$ 2,250	(22,800)
Valuation gains in the current period	300	25,050
	\$ 2,550	2,250

C. Equity composition item under capital reserve-stock option, the details are as follows:

	2020	2019
Closing balance(Initial balance)	\$ 129,000	129,000

Based on conservative principle, the Group reclassified the bonds payable and financial liabilities at fair value through profit or loss to current liabilities as of first quarter of 2020 because the holder of bonds payable may require the Group to buy back the bonds at agreed price after 3 years from the bonds' issue date (February 12, 2021 is the selling base day of bonds holders), nevertheless, the bonds payable is not necessarily required to fully paid off in one year.

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(13) Lease Liability

The Group's booking value of lease liabilities are as follows:

	2020.12.31	2019.12.31
Current	\$ 32,598	\$ 20,462
Non-current	\$ 33,187	\$ 31,413

Please refer to note 6 (22) for analysis of expiration.

Amounts recognized in profit or loss are as follows:

	2020	2019
Interest expense from lease liabilities	\$ 1,503	\$ 572
Non-current	\$ 23,811	\$ 15,308
Expense of low-value leasing asset (not include low-value short-term lease)	\$ 30	-
Covid-19-related rent concessions (recognized as other income)	\$ 1,719	-

Amounts recognized in cash flow statement are as follows:

	2020	2019
Total cash used in operating activity	\$ 25,344	\$ 15,880
Total cash used in financing activity	\$ 25,903	\$ 9,064
Total cash used in lease	\$ 51,247	\$ 24,944

A. Lease of buildings and constructions

The Group leases buildings and constructions to be factories, the leasing periods are usually two to three years, and some leases include the option to extend the same period as the original contract when the lease period expires.

B. Other leases

The Group leases transportation equipment for a period of three to four years.

In addition, the lease period of the Group's leased office, parking space, employee dormitory and machinery is within one year, which are short-term leases or low-value leasing asset, the Group choose to adopt exceptional recognition regulation instead of recognizing right-of-use assets.

(14) Employee benefit

The Taiwan branch of the Group shall adopt a defined contribution plan, which shall be transferred to the individual pension account of the labor insurance bureau at the rate of 6% of

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the monthly salary of the employees in accordance with the provisions of the Labor Pension Act. There is no statutory or presumed obligation to pay additional amounts after a fixed amount is paid to the labor insurance bureau by the Group under the scheme.

In accordance with the pension insurance system stipulated by the government of the People's Republic of China, a company incorporated in the People's Republic of China shall allocate a certain proportion of its employees' total salary to the pension fund each month, and the proportion rate is 13%. And the pension fund is deposit into the individual account of each employee. The pension of each employee shall be managed and arranged by the government, and the Company shall have no further obligation except monthly allocation.

The pension expenses of the Group in 2020 and 2019 have been allocated to the labor insurance bureau and the local competent authority of the consolidated foreign subsidiaries. The details of the expenses reported by the Group are as follows:

	2020	2019
Operating costs	\$ 28,331	39,185
Operating expenses	12,066	16,337
	\$ 40,397	55,522

(15) Income tax

A. Income tax expenses

Income tax declarations of the Group shall be made separately by each company, and shall not be consolidated.

The income tax expense (benefit) details of the Group for the year of 2020 and the year of 2019 are as follows:

	2020	2019
Current		
Current period	\$ 39,645	27,204
Underestimate (overestimate) of income tax for previous year	1,291	888
	40,936	28,092
Deferred income tax expenses (benefits)		
Occurrence and reversal of temporary differences	250,313	144,560
Previous year's loss deduction against overestimates	(4,434)	(13,503)
	245,879	131,057
Income tax expense	\$ 286,815	159,149

The income tax expense (benefit) details of the Group for the year of 2020 and the year of

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2019 are as follows:

	2020	2019
	\$ 1,006,371	788,434
Pre-tax net profit		
Income tax calculated according to the local tax rate of each company	\$ 187,542	146,791
Adjustment according to tax law	(9,988)	(35,969)
Underestimates of income tax of previous year	1,291	888
Previous year's loss deduction against underestimates	(4,434)	(13,503)
Estimated (revolving) tax on the income distribution of subsidiaries	<u>112,404</u>	<u>60,942</u>
Income tax expense (benefit)	\$ 286,815	159,149

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

On November 24, 2014 and June 29, 2015, respectively, the Board meeting of the Company decided not to distribute the undistributed earnings of 2013 and previous years and the undistributed earnings of 2014 in the foreseeable future. Therefore, as of December 31, 2020 and 2019, the Group did not recognize the deferred income tax liabilities arising from the taxable earnings of long-term equity investment under the Equity Law of the Republic of China in 2014 and previous years. The relevant amounts are as follows:

	2020.12.31	2019.12.31
	\$ 239,168	239,168
Taxable surplus of long-term equity investment in Equity method		

(b) Recognized deferred tax assets and liabilities

The changes of deferred tax assets and liabilities in 2020 and 2019 are as follows:

Deferred tax assets:

	Unrealized exchange gains (losses)	Loss deduction	Difference in durability of property, plant and equipment	Others	Total
Balance as of January 1, 2020	\$ 9,184	168,047	73,690	17,205	268,126
Income Statement	(9,184)	(155,909)	(12,719)	23,529	(154,283)

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The impact of exchange rate change	-	(391)	946	677	1,232
Balance as of December 31, 2020	\$ -	11,747	61,917	41,411	115,075
Balance as of January 1, 2019	\$ 6,976	257,532	75,889	9,607	350,004
Income Statement	2,208	(76,952)	862	2,754	(71,128)
The impact of exchange rate change	-	(12,533)	(3,061)	4,844	(10,750)
Balance as of December 31, 2019	\$ 9,184	168,047	73,690	17,205	268,126

Deferred tax liabilities:

	Long-term equity investment	One-time expensation of equipment (Note)	Others	Total
Balance as of January 1, 2020	\$ 183,990	237,105	294	421,389
Income Statement	112,404	(36,539)	15,731	91,596
The impact of exchange rate change	4,190	3,005	109	7,304
Balance as of December 31, 2020	\$ 300,584	203,571	16,134	520,289
Balance as of January 1, 2019	\$ 129,125	248,272	-	377,397
Income Statement	60,942	(1,319)	306	59,929
The impact of exchange rate change	(6,077)	(9,848)	(12)	(15,937)
Balance as of December 31, 2019	\$ 183,990	237,105	294	421,389

Note: According to Cai-Shui [2018] 54 issued by the State Taxation Administration of the Ministry of Finance of the Mainland of China, newly purchased equipment and appliances with unit value not exceeding 5 million yuan between 2018 and 2020 are allowed to be deducted in the calculation of income tax payable at one time, and depreciation is not calculated annually.

(c) Examination and approval of income tax

The Company is exempt from income tax and do not need to declare profit-making enterprise income tax according to the law of the country where the Company is established.

The Taiwan Branch of the Company has been approved by the taxation authorities until 2018.

(16) Capital and other equities

As of December 31, 2020 and 2019, the Company issued shares worth \$1,072,558 thousand and \$1,065,248 thousand with par value of \$10 for 107,256 and 106,525 thousand ordinary shares respectively, and all outstanding shares were collected.

Reconciliation of outstanding shares is as follows:

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	Ordinary shares (thousands of shares)	
	2020	2019
Opening balance on January 1 st	106,525	105,447
Employee stock option	731	1,078
Ending balance on December 31	107,256	106,525

A. Share Capital

The capital surplus balance of the Company is as follows:

	2020.12.31	2019.12.31
Additional paid-in capital	\$ 2,665,140	2,581,150
Employee stock option	11,550	32,205
Treasury share transactions	10,812	10,812
Issuance of stock option embedded in convertible bonds	129,000	129,000
	\$ 2,816,502	2,753,167

B. Retained earnings distribution

The rule of earnings distribution of the Company's Articles of Association as follows:

- (a) The Board of Directors understands that the Company operates in a mature industry with stable earnings and sound financial structure. For the decision on dividends or other allotments (if any) established with the consent of shareholders in each fiscal year, the Board of Directors shall:
 - (I) Consider the Company's earnings, overall development, financial planning, capital needs, industry prospects and future prospects of the company in each fiscal year to ensure the protection of shareholders' rights and interests; and
 - (II) Recognize below items in the Company's earnings in each fiscal year: (i) the reserve for the payment of taxes in the relevant fiscal year; (ii) the amount of compensation for past losses; (iii) one-tenth of the general reserve and (iv) the reserve required by Board of Directors in accordance with Article 14.1 or the special surplus required by the securities authorities in accordance with the rules of the publicly issued company.
- (b) In the absence of any violation of the law, and after the prescribed allocation of remuneration to employees and directors and the allocation policy set forth in accordance with Article (1) of the Board of Directors as appropriate amounts, the Board of Directors shall allocate not less than 10% of the allowable amount which belongs to the surplus of the previous fiscal year (excluding the accumulated surplus of the previous year) as shareholder dividends, which shall be distributed after the adoption of the resolution of the shareholders' meeting.

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- (c) The distribution of shareholders' dividends and employees' remuneration may, upon the decision of the Board of Directors, be distributed to employees or shareholders in cash, or in such amount as to make full payment of the outstanding shares, or both; For the shareholders' dividend, the cash dividend shall not be less than 50% of the total dividend. The Company pays no interest on undistributed dividends and remuneration.

The Company's earnings distribution for 2019 and 2018 were decided by the shareholders' meeting on March 25, 2020 and June 24, 2019 respectively. The dividend distribution are as follows:

	2019	2018
Cash dividends	<u>\$ 387,641</u>	<u>239,364</u>

As of December 31, 2020 and 2019, all cash dividends have been paid.

Information on the decision of the Board of Directors and earnings distribution determined by the shareholders' meeting of the company can be obtained from MOPS.

C. Treasury Stock

The Company was approved by Board of directors to repurchase 2,858 thousand shares as treasury stock in order to transfer them to employee through to decision from Board of directors on January 8, 2019. The executing period is from January 9, 2019 to March 8, 2019, and the repurchasing range is from \$62 to 118 (dollars) per share. As of December 31, 2019, 2,858 thousand shares had been repurchased with the average price NTD 85.18 per share, and total repurchasing amount is \$243,432 thousand. As of December 31, 2020, the transferred shares are 1,982 thousand shares and the amount of repurchased shares is \$74,605 thousand. In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(17) Share-based payment

The Company was approved by the Board of Directors on March 9, 2017 to issue stock options for employees, and approved by FSC on April 12, 2017 to take effect. In addition, the Chairman of the Board of Directors set July 17, 2017 as the actual issuance date, issuing 3,000 thousand new shares at the subscription price based on the closing price of the Company's common shares on the day of issuance on the Taiwan Stock Exchange. If the closing price of the day is lower than the face value, the face value of the common stock shall be taken as the share price. The term of validity of option shall be 3.5 years.

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As of December 31, 2020 and 2019, the Group have the following underlying share payment transactions:

	Employee stock option certificate
Grant date	106.5.5
Grant quantity (1,000 share)	3,000
Contract period	3.5year
Grant objects	Full-time employees of the Company and its subsidiaries
Acquired conditions	Service in the next two years

The other rights holder may exercise the rights two years after the expiration of the option granted to the employee in accordance with the following schedule:

Period of option	Accumulative feasible subscription ratio
Two years after expiry	60%
Three years after expiry	100%

A. The measurement parameters of fair value on grant date

Black Scholes option evaluation model was adopted to estimate the fair value of grant date's employee option. The input value of this model is as follows:

	Employee stock option certificates
Fair value on grant date	29.78
Share price on grant date	106.50
Exercise price	97.80
Expected volatility (%)	49.94~50.06
Option duration (year)	3.50
Risk-free interest rate (%)	0.53~0.65

Expected volatility is based on weighted average historical volatility and adjusts the expected changes due to publicly available information; the duration of the option is governed by the issuance method of the Group; and the risk-free interest rate is based on government bonds. The fair value decision does not take into account the service and non-market performance conditions contained in the transaction.

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B. The information about employee stock options is as follows:

	Unit: 1,000			
	2020		2019	
	Weighted average performanc e price	Number of option	Weighted average performan ce price	Number of option
Outstanding option as of January 1	\$ 95.62	1,064	97.80	2,457
Grant quantity in current period	-	-	-	-
Quantity lost in current period	-	(107)	-	(315)
Quantity executed in current period	-	(731)	95.62	(1,078)
Overdue expiration of the current period	-	-	-	-
Outstanding option as of December 31	92.30	<u>226</u>	95.62	<u>1,064</u>
Executable as of December 31	92.30	<u>226</u>	95.62	<u>1,064</u>

As of December 31, 2020, the weighted average expected remaining life of the employee's stock option plan is 0.04 years.

C. Relative information of Policy Governing First Share Repurchased and Transferred to Employees are as follows:

The Company was approved by Board of directors to repurchase shares as treasury stock in order to transfer them to employee through to decision from Board of directors on January 8, 2019. Repurchased shares shall be transferred within 3 years from the repurchasing day and transferred to whom formally employed by the Company or its subsidiaries more than three months, in one or several times. The Company authorized president of the Board to approve the shares distributing rules for employees base on the standards of grades, years of service, and special contribution toward the Company. The Company considers the repurchased share held by the Company and the limit for single employee to subscribe. The Company transferred treasury stock to employees in accordance with the approval by Board of Directors on March 25, 2020 and May 13, 2019, which is based on the Policy Governing First Share Repurchased and Transferred to Employees. The transferring price is actual average repurchased price, amounting to \$85.18 per share. The fair value of the subscription is \$0 and \$10.22 per share while the stock price on March 25, 2020 and May 13, 2019, which are also subscription dates, are \$84.30 and \$95.40 per share. As of December 31, 2020, 1,982 thousand shares were transferred and the Company has collected all the receivables of shares.

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D. Expenses for employees

The expenses incurred by the Group in the year of 2020 and 2019 due to the share-based payment are as follows:

	2020	2019
Expense from employee stock option	\$ 3,174	17,662
Expense from treasury stock	-	10,812
Total	\$ 3,174	28,474

(18) Earnings per share

The Company's basic earnings per share are calculated as follows:

	Unit: thousand shares	
	2020	2019
Basic earnings per share of the Company		
Net profit for the current period	724,859	638,315
Weighted average number of outstanding shares	\$ 105,336	103,550
Basic earnings per share (New Taiwan Dollars)	\$ 6.88	6.16
Diluted earnings per share of the Company		
Net profit for the current period	\$ 724,859	638,315
The impact of potential common stocks with diluting effect		
Fair value assessment of embedded derivatives (such as trading rights)	(300)	(25,050)
Expected reduction in interest expense for convertible bonds conversion	30,228	29,593
Net profit for the current period(adjusted)	\$ 754,787	642,858
Weighted average number of outstanding shares	105,336	103,550
The impact of potential common stocks with diluting effect		
Employees' remuneration	1,007	618
The impact of employee stock options	285	462
The impact of convertible bonds	9,069	8,660
Weighted average number of outstanding shares	115,697	113,290
Diluted earnings per share (New Taiwan Dollars)	\$ 6.52	5.67

(19) Revenues from customers' contract

A. Segmentation of income

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	2020	2019
Major regional markets:		
China	\$ 1,896,633	2,210,532
Singapore	1,576,936	221,047
Taiwan	768,916	1,191,880
US	499,730	1,556,328
Malaysia	98,430	562,607
Other countries	9,044	2,410
	\$ 4,849,689	5,744,804

B. Balance of the contracts

	2020.12.31	2019.12.31	2019.1.1
Notes receivable	\$ -	710	13,104
Accounts receivable (including related party)	1,110,030	1,115,908	1,300,590
Less: Loss allowance	(14,246)	(13,802)	-
Total amount	\$ 1,095,784	1,102,816	1,313,694
Contract assets	\$ 188,071	260,384	350,068

The Group has assessed that there is no need to recognize loss allowance for contract assets as of December 31 2020 and December 31, 2019.

(20) Profit sharing bonus of employees and directors

The Company shall allocate profit sharing bonus to the employees with no less than 5% of the current year's profits before the payment of employees' and the directors' profit sharing bonus. The Company may allocate no more than 0.1 % of the profits of the current year for the profit sharing bonus of directors.

The Company accrued profit sharing bonus to employees for 2020 and 2019 are \$100,000 thousand and \$87,563 thousand respectively, and \$855 thousand and \$752 thousand for the directors, which are based on the pre-tax net profit before minus the employees' and directors' profit sharing bonus in each period of the Company multiplied by the employee profit sharing bonus and director's profit sharing bonus allotment stipulated in the Company's Articles of Association, and are included as operating cost and operating expenses of 2020 and 2019. If there is a difference between the actual allocated amount and the estimated amount in the next year, it will be treated according to the changes in the accounting estimates, and the difference will be classified as the profit and loss of the next year. If employees' profit sharing bonus is paid by shares, the number of shares shall be calculated based on the closing price of the day before the Board of Directors. There is no difference between the amount of profit sharing bonus for employees and directors as determined by the Board of Directors and the estimated amount in the

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consolidated financial report of the Company for the year of 2020 and the year of 2019. Related information is available at the MOPS.

(21) Non-operating gains and losses

A. Interest income

Interest incomes of the Group are as follows:

	2020	2019
	\$	\$
Bank deposit interest	173,508	126,483

B. Other incomes

Other incomes of the Group are as follows:

	2020	2019
	\$	\$
Incomes from government subsidy	53,955	101,534
Rent concessions (recognized as other income)	1,719	-
Other incomes	3,525	41,979
Total amount of other incomes	59,199	143,513

C. Other profits and losses

Other profits and losses of Group are as follows:

	2020	2019
	\$	\$
Net profits (losses) of foreign currency exchange	(45,107)	(153)
Profits (losses) from disposal of Property, plant and equipment	(1,867)	5,165
Profits (losses) from financial assets/liabilities at fair value through profit and loss	(68,172)	(44,902)
Other losses	(6,932)	(1,616)
	<u>\$ (122,078)</u>	<u>(41,506)</u>

D. Financial costs

The financial costs of Group are as follows:

	2020	2019
	\$	\$
Interest expenses from bank loan	34,133	33,189
Interest expenses of convertible bonds	30,228	29,593
Interest expenses of lease liabilities	1,503	572
	<u>\$ 65,864</u>	<u>63,354</u>

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(22) Financial instruments

A. Credit risks

(a) Credit exposure risk

The book value of financial assets represents the maximum amount of credit exposure risk.

The maximum credit exposure risk amounts for December 31, 2020 and 2019 were \$11,718,327 thousand and \$8,364,167 thousand, respectively.

(b) Credit risk concentration

On December 31, 2020 and 2019, 83% and 84% of the accounts receivable balance of the Group were composed of several customers, which made the Group have a significant concentration of credit risk.

(c) Credit risks of receivables

For credit exposure risk information of notes receivable and accounts receivable, please refer to Note 6 (4) for details and Note 6 (5) for details of other receivables. The other receivables listed above are all financial assets with low credit risk. Therefore, the allowance loss during the period is measured by the amount of anticipated credit loss for 12 months.

B. Liquidity risk

The following table shows the contract maturity date of financial liabilities, which includes estimated interest.

	Book value	Cash flow of the contract	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term loans	\$ 4,513,883	4,513,883	4,513,883	-	-	-
Accounts payable (including related parties)	322,669	322,669	322,669	-	-	-
Other payables (including related parties)	572,667	572,667	572,667	-	-	-
Convertible bonds payable (including put rights)	1,441,406	1,500,000	1,500,000	-	-	-
Long-term loans	836,100	870,865	15,539	855,326	-	-
Lease liabilities	65,785	67,770	34,035	31,011	2,724	-
Guarantee deposits received	1,118	1,118	350	202	-	566
	\$ 7,753,628	7,848,972	6,959,143	886,539	2,724	566
December 31, 2019						
Non-derivative financial liabilities						
Short-term loans	\$ 3,022,229	3,022,229	3,022,229	-	-	-

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Accounts payable (including related parties)	363,472	363,472	363,472	-	-	-
Other payables (including related parties)	183,979	183,979	183,979	-	-	-
Convertible bonds payable (including put rights)	1,411,478	1,500,000	-	-	1,500,000	-
Lease liabilities	51,875	52,363	21,488	16,089	14,786	-
Guarantee deposits received	1,443	1,443	542	-	342	559
	\$ 5,034,476	5,123,486	3,591,710	16,089	1,515,128	559

C. Exchange rate risk

(a) Exchange rate exposure risk

The financial assets and liabilities of the Group exposed to significant foreign currency exchange rate risks are as follows:

	2020.12.31			2019.12.31		
	Foreign currency (NT\$1,000)	Exchange rate (NT\$)	New Taiwan Dollars (NT\$1,000)	Foreign currency (NT\$1,000)	Exchange rate (NT\$)	New Taiwan Dollars (NT\$1,000)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	97,903	28.4790	2,788,170	49,062	29.9810	1,470,926
RMB	349,610	4.3546	1,522,412	535,677	4.3051	2,306,143
Yen	598	0.2762	165	1,845,818	0.2760	509,446
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	94,307	28.4795	2,685,823	43,233	29.6870	1,283,460
Yen	15,046	0.2759	4,151	1,861,095	0.2755	512,782

(b) Sensitivity analysis

The exchange rate risk of the Group mainly comes from the foreign currency-denominated cash and the cash equivalents, accounts receivable and other receivables, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during the conversion. On December 31, 2020 and December 31, 2019, when the Taiwan dollar depreciates by 0.25% against the US dollar, the Chinese Yuan and the Japanese Yen, while all other factors remain unchanged, the net profit before tax for the year of 2020 and 2019 will increase by approximately \$4,052 thousand and \$6,225 thousand, respectively.

(c) Exchange gains and losses of monetary items

Due to the variety of functional currencies in the Group, the exchange gains and losses of monetary items are disclosed by the method of exchange consolidation. The exchange gains (losses) of foreign currencies in 2020 and 2019, including realized and unrealized

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ones, are \$(45,107) thousand and \$(153) thousand, respectively.

D. Interest rate analysis

The fixed deposit part of the Group belongs to floating interest rate, but the market interest rate does not change much, so the change of interest rate does not cause significant cash flow risk.

The interest rate of the Group's long-term loans is floating interest rate. The following sensitivity analysis based on the exposure to interest rate risk for long-term loans on reporting date. The analysis of floating interest rate liability is based on the assumption that the liability is outstanding for whole year. The rate of change used when reporting interest rates within the Group to key management is an increase or decrease of 0.25% in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases or decreases by 0.25% and all other variables remain unchanged, the Group's net income before tax for the year of 2020 will decrease or increase by 2,100 thousand, mainly due to the Group's floating interest rate loans.

E. Information on fair value- types and fair value of financial instruments

(a) Types and fair value of financial instruments

The book amount and fair value (including fair value-grade information, but not a reasonable approximation of fair value to the book value of financial instruments measured by fair value, and investment in equity instruments without quotation and reliable measurement of fair value in the flexible market, there is no need to disclose fair value information according to regulations.) of the financial assets and financial liabilities of the Group are listed as follows:

	2020.12.31				
	Fair value				Total amount
	Book value	Grade 1	Grade 2	Grade 3	
Financial assets at fair value through profit or loss					
Derivative financial liabilities - current	\$ 13,607	-	13,607	-	13,607
Derivative financial liabilities - non - current	65,472	-	-	-	65,472
Private fund	380,528	-	-	380,528	380,528
Subtotal	459,607	-	13,607	446,000	459,607
Financial assets measured at amortized costs					
Cash and cash equivalents	9,943,380	-	-	-	-

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	8,000	-	-	-	-
Restricted bank deposit	8,000	-	-	-	-
Contract assets	188,071	-	-	-	-
Notes receivable and accounts receivable	1,095,784	-	-	-	-
Other receivables	10,945	-	-	-	-
Guarantee deposits paid	12,540	-	-	-	-
Subtotal	<u>11,258,720</u>	-	-	-	-
Total amount	<u>\$ 11,718,327</u>	<u>-</u>	<u>13,607</u>	<u>446,000</u>	<u>459,607</u>
Financial liabilities at amortized costs					
Bank loans	\$ 4,513,883	-	-	-	-
Accounts payable	322,669	-	-	-	-
Other payables	572,667	-	-	-	-
Convertible bond-liability component	1,443,956	-	-	-	-
Lease liabilities	836,100	-	-	-	-
Guarantee deposits received	65,785	-	-	-	-
Total amounts	<u>1,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized costs	<u>\$ 7,756,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
					2019.12.31
					Fair value
	Book value	Grade 1	Grade 2	Grade 3	Total amount
Financial assets at fair value through profit or loss					
Derivative financial liabilities - current	\$ 1,429	-	1,429	-	1,429
Derivative financial liabilities - non - current	2,250	-	2,250	-	2,250
Private fund	<u>476,151</u>	<u>-</u>	<u>-</u>	<u>476,151</u>	<u>476,151</u>
Subtotal	<u>479,830</u>	<u>-</u>	<u>3,679</u>	<u>476,151</u>	<u>479,830</u>
Financial assets measured at amortized costs					
Cash and cash equivalents	6,386,315	-	-	-	-
Contract assets	260,384	-	-	-	-
Notes receivable and accounts receivable	1,102,816	-	-	-	-
Other receivables	124,014	-	-	-	-
Guarantee deposits paid	10,808	-	-	-	-
Subtotal	<u>7,884,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amount	<u>\$ 8,364,167</u>	<u>-</u>	<u>3,679</u>	<u>476,151</u>	<u>479,830</u>
Financial liabilities at amortized costs					
Bank loans	\$ 3,022,229	-	-	-	-
Accounts payable	363,472	-	-	-	-
Other payables	183,979	-	-	-	-
Convertible bond-liability component	1,413,728	-	-	-	-
Lease liabilities	51,875	-	-	-	-
Guarantee deposits received	1,443	-	-	-	-
Total amounts	<u>\$ 5,036,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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(b) Fair value assessment technique for measuring financial instruments at fair value

(I) Non-derivative financial instruments

The financial instrument which is equity instrument or beneficiary certificate without an active market held by the Group, of which fair value sorted by categories and attributes are as follows:

- (i) Equity instrument without active market: to use comparable company method and comparable transaction method. The main assumption of comparable company method is based on the enterprise value of the investee and the listed enterprise value-to-sales multiplier derived from the market prices of comparable companies. This estimate has adjusted for the discounted effect of the lack of marketability of the equity securities.
- (ii) Beneficiary certificate without active market: The fair value is estimated using the total value of assets and liabilities that the target covers.

(II) Derivative financial instruments

The right of conversion, redemption and put option of corporate bonds payable is estimated at fair value according to the appraisal report of external experts. The evaluation model is a binomial tree convertible bond, which uses market basis including stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to observe the input value to reflect the fair value of options.

Forward exchange contract is usually evaluated based on the bankstatement.

(c) Statement of changes of Grade 3

	2020		2019	
	Non-listed company shares	Private fund	Non-listed company shares	Private fund
Balance on January 1	\$ -	476,151	11,048	-
Increase	64,096	-	-	571,513
Gains/ Losses				
Recognized in gains/ losses	-	(101,119)	(11,116)	(63,569)
Change from exchange rate	1,376	5,496	68	(31,793)
Balance on December 31	<u>\$ 65,472</u>	<u>380,528</u>	-	<u>476,151</u>

The above mentioned profits/ losses are recognized in other profits and losses.

(d) Quantitative information on fair value measurement of important unobservable input value (Grade 3)

The fair value of the Group is classified as the Grade 3 financial asset mainly measured

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by the fair value through profit and loss.

Investments in equity instruments classified as the third-tier non-active market have significant unobservable input values in the plural. The significant unobservable input values of equity instruments investment in non-active markets are independent of each other, so there is no correlation between them.

The quantitative information of significant unobservable input values is listed as follows:

Items	Evaluation method	Significant unobservable input value	The relationship between significant unobservable input values and fair value
Financial assets at fair value through profit or loss—equity vehicle investment without active market	Comparable listed/ OTC company valuation multiples and Comparable transaction method(Note)	<ul style="list-style-type: none"> • Multiplier of enterprise value-to-sales (4.16 on 2020.12.31) • Lack of market liquidity discounts (20% on 2020.12.31) 	<ul style="list-style-type: none"> • The higher the multiplier, the higher the fair value. • The higher the discount for lack of market liquidity, the lower the fair value.
Financial assets at fair value through profit or loss—private fund investment	Net asset value method	Net asset value	<ul style="list-style-type: none"> • The higher the net asset value, the higher the fair value.

Note: the Group adopted comparable transaction method to use the latest price of capital increase to be fair value considering that the investee has a cash capital increase.

(e) A sensitivity analysis of the fair value of the Grade 3 to reasonable alternative assumptions.

The fair value measurement of financial instruments by Group is reasonable, but different evaluation models or parameters may lead to different evaluation results. For financial instruments classified as the Grade 3, if the evaluation parameters change, the impact on current profits and losses is as follows:

		Changes in fair value reflecting in current profits and losses	
		Move up or down	Favorable change
		Input value	Unfavorable change
December 31, 2020			

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Financial assets measured at fair value through profit and loss					
Equity instrument investment in non-active market	Enterprise value-to-Sales	5%	792	(792)	

The favorable and unfavorable changes of the Group refer to the fluctuations of the fair value, which is calculated based on the evaluation technology according to the varying degrees of unobservable input parameters. If the fair value of a financial instrument is affected by more than one input value, the above table only reflects the impact of changes in a single input value and does not take into account the correlation and variability between input values.

(f) Offsetting of financial assets and liabilities

The Group has transactions in financial instruments that are subject to the provisions of paragraph 42 of the IAS 32 endorsed by FSC, and the financial assets and financial liabilities related to such transactions are expressed on the balance sheet as a net amount. The following table lists the relevant information about the offset of the above financial assets and financial liabilities:

2020.12.31					
Financial assets subject to offset, offset settlement agreement or similar agreements					
Relative amount not offset in balance sheet (d)					
Total amount of recognized financial assets (a)	Offset financial liabilities recognized in balance sheet (b)	Net amount of financial assets in balance sheet (c)=(a)-(b)	Financial instrument	Cash collateral received	Net amount (e)=(c)-(d)
Other financial assets	1,993,600	1,993,600	-	-	-

2020.12.31					
Financial assets subject to offset, offset settlement agreement or similar agreements					
Relative amount not offset in balance sheet (d)					
Total amount of recognized financial liabilities (a)	Offset financial assets recognized in balance sheet (b)	Net amount of financial assets in balance sheet (c)=(a)-(b)	Financial instrument	Cash collateral received	Net amount (e)=(c)-(d)
Short-term loan	1,993,600	1,993,600	-	-	-

2019.12.31					
Financial assets subject to offset, offset settlement agreement or similar agreements					
Relative amount not offset in balance sheet (d)					
Total amount of recognized financial assets (a)	Offset financial liabilities recognized in balance sheet (b)	Net amount of financial assets in balance sheet (c)=(a)-(b)	Financial instrument	Cash collateral received	Net amount (e)=(c)-(d)
Other financial assets	1,199,200	1,199,200	-	-	-

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2019.12.31

	Financial assets subject to offset, offset settlement agreement or similar agreements			Relative amount not offset in balance sheet (d)		Net amount (e)=(c)-(d)
	Total amount of recognized financial liabilities (a)	Offset financial assets recognized in balance sheet (b)	Net amount of financial assets in balance sheet (c)=(a)-(b)	Financial instrument	Cash collateral received	
Short-term loan	1,199,200	1,199,200	-	-	-	-

(23) Financial risk management

A. Overview

The Group has exposure to the following risks arising from financial instruments:

- (a) Credit risk.
- (b) Liquidity risk.
- (c) Market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please see other related notes for quantitative information.

The Group adopt a comprehensive financial risk management and control system to clearly identify, measure and control various financial risks of the Group: market risks (including exchange rate risks, interest rate risks and price risks), credit risks and liquidity risks.

B. Risk management framework

(a) Management targets

- (I) Except that market risk is controlled by external factors, all the above risks can be eliminated by internal control or operation process, so their management aims at minimizing each risk.
- (II) In the aspect of market risk, the overall position should be adjusted to the optimal target through rigorous analysis, suggestion, execution and process, and proper consideration of the overall external trend, internal operation status and the actual impact of market fluctuations.
- (III) The Group' overall risk management policy focuses on financial market uncertainties and seek to mitigate potential adverse effects on the Group' financial position and performance.

(b) Management system

- (I) Risk management shall be carried out by the financial department of the Group in accordance with the policies approved by the Board of Directors. To identify, assess and mitigate financial risks through close collaboration with the Group' operating units.

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(II) The Board of Directors has written principles for overall risk management, and provides written policies for specific scope and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of surplus working capital.

C. Credit risk

- (a) Credit risk refers to the risk of financial loss caused by the failure of Group to perform its contractual obligations by its customers or counterparties to financial instruments.
- (b) According to the internal credit policy of the Group, each operator of the Group shall conduct management and credit risk analysis for each new customer before making payment and proposing delivery terms and conditions. Internal risk management assesses customers' credit quality by taking into account their financial position, past experience and other factors.

The Board of Directors establishes limits for individual risks based on internal or external ratings, and regularly monitor the use of credit lines. The main credit risk is the credit risk of cash and cash equivalents, accounts receivable and other receivables, which is measured and monitored by the financial department of the Group. Since the transaction objects and performance objects of the Group are mainly banks with good credit, the company and financial institutions with investment grade or above, and there are no significant performance doubts, there is no significant credit risk.

D. Liquidity risk

The cash flow forecast is executed by each operator in the Group and summarized by the financial department of the Group. The financial department of the Group monitors the forecast of the Group's liquidity needs and maintains appropriate funds and bank credit lines to meet contractual obligations.

E. Market risk

- (a) Exchange rate risk

(I) Nature

The Group operates multinationally, thus its exchange rate risk is affected by several kinds of currencies, mainly from US dollar and RMB, generated from :

- (i) The exchange rate risks arising from the differences in the exchange rates of functional currencies due to the differences in the time of setting up accounts receivable and accounts payable of non-functional foreign currencies.
- (ii) In addition to the business transactions (business activities) on the income statement, there are also exchange rate risks associated with the assets and liabilities recognized on the balance sheet and the net investment in foreign

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operating institutions.

(II) Management

- (i) The management of the Group has established a policy for the financial department to manage the exchange rate risks of the subsidiaries of the Group against their functional currencies.
- (ii) The Group hold investments of several foreign operating institutions, and their net assets bear the risk of foreign currency conversion. Exchange rate risks arising from the operation of foreign operating institutions of the Group will be hedged by various financial instruments through assets or liabilities denominated in relevant foreign currencies when necessary.

(b) Interest Rate Risk

The short-term borrowings of the Group are debt of fixed interest rate, free from interest rate market fluctuation risk and fair value interest rate risk.

The interest rate risk of the Group mainly comes from long-term loans issued at floating interest rates, which exposes the Group to cash flow interest rate risk.

The Group simulates several plans to analyze interest rate risks, including refinancing, renewal of existing positions, other available financing and hedging, etc., to calculate the impact of changes in specific interest rates on profit and loss.

When the benchmark interest rate of NTD floating rate loans rise or fall by 0.25% and all other factors remain unchanged, the net profit before tax of 2020 remains unchanged. Mainly because the long-term loan contract has a lower limit of interest rate. If market changes have a specific range of impact on the benchmark interest rate, according to the loan contract, interest will continue to be calculated at the lower limit of interest rate.

(24) Capital management

The Group manages capital to safeguard the capacity to operate, to continue to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Group uses the debt-to-equity ratio to manage capital. This ratio is debt divided by equity. Net debt is calculated by deducting cash and cash equivalents from total borrowings (including “current and non-current borrowings” as reported in the consolidated balance sheet). The total net value shall be calculated by deducting the total amount of intangible assets from the “equity” as stated in the consolidated balance sheet. On this basis, the management of the Group decides on the optimal capital of the Group and, on the basis of maintaining a sound capital base, optimizes the

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balance of debt and equity to improve the remuneration of shareholders.

(25) Non-cash investing and financing activities

For the year ended December 31, 2020 and 2019, the Group's non-cash investing and financing activities were derived from acquisition right-of-use asset through finance leasing and the amortization of convertible bonds discount. Please refer to notes 6(8), (12) and (13) for related information.

Reconciliation of liabilities from financing activities are as follows:

	Non-cash changes								
	2020.1.1	Cash flow	Discount and amortization	Exchange rate changes	Fair value changes	Acquire	Changes in lease payments	Others	2020.12.31
Short-term loans	\$ 3,022,229	1,491,654	-	-	-	-	-	-	4,513,883
Long-term loans	-	840,000	-	-	-	-	-	(3,900)	836,100
Bonds payable	1,413,728	-	30,228	-	-	-	-	-	1,443,956
Lease liabilities	51,875	(25,903)	-	(3,983)	-	45,515	(1,719)	-	65,785
Total liabilities from financing activities	<u>\$ 4,487,832</u>	<u>2,305,751</u>	<u>30,228</u>	<u>(3,983)</u>	<u>-</u>	<u>45,515</u>	<u>(1,719)</u>	<u>(3,900)</u>	<u>6,859,724</u>

	Non-cash changes						2019.12.31
	2019.1.1	Cash flows	Amortization of discount	Exchange rate changes	Fair value changes	Acquire	
Short-term loans	\$ 1,635,021	1,387,208	-	-	-	-	3,022,229
Non-current financial liabilities at fair value through profit or loss	22,800	-	-	-	(25,050)	-	(2,250)
Bonds payable	1,384,135	-	29,593	-	-	-	1,413,728
Lease liabilities	15,961	(9,064)	-	(275)	-	45,253	51,875
Total liabilities from financing activities	<u>\$ 3,057,917</u>	<u>1,378,144</u>	<u>29,593</u>	<u>(275)</u>	<u>(25,050)</u>	<u>45,253</u>	<u>4,485,582</u>

7. Related-party transactions:

(1) Parent Company and ultimate controlling party

Foxconn (Far East) Limited is the parent company of the Group, holding 59.64% and 60.05% of the outstanding common shares of the Group as of December 31, 2020 and 2019 respectively. Hon Hai Precision Industry Co., Ltd. is the ultimate controller of the Group to which the Group belongs. Hon Hai Precision Industry Co., Ltd. has prepared a consolidated financial report for public use.

(2) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

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Name of related party	Relationship with the Group
Hon Hai Precision Industry Co., Ltd.	Ultimate controller
Foxconn OE Technologies Singapore Pte. Ltd.(Note)	Its ultimate controller is the same as that of Group
Foxconn Interconnect Technology Limited	Its ultimate controller is the same as that of Group
Fortunebay Technology Pte. Ltd.	Its ultimate controller is the same as that of Group
Hong Fujin Precision Industry (Shenzhen) Limited Company	Its ultimate controller is the same as that of Group
Foxconn (Nanjing) Software Company	Its ultimate controller is the same as that of Group
Anpinda Precision Industry (Huizhou) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fu Neng New Energy Technology Co., Ltd.	Its ultimate controller is the same as that of Group
Futaihua Industry (Shenzhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Futaihong Precision Industrial Co., Ltd.	Its ultimate controller is the same as that of Group
Zhengyi longhua Special Material (ShenZhen) Co., Ltd.	Its ultimate controller is the same as that of Group
FuShiRui Precision Industry (JinCheng) Co., Ltd.	Its ultimate controller is the same as that of Group
Triple Win Technology (ShenZhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Foxcavity Precision Industry (ShenZhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fertile Plan International Logistics Co., Ltd.	Its ultimate controller is the same as that of Group
JUSDA INTERNATIONAL LIMITED	Its ultimate controller is the same as that of Group
ZEITEC Semiconductor Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fugui Precision Industry Co.,Ltd	Its ultimate controller is the same as that of Group
FUTAIJIE SCIENCE&TECHNOLOGY DEVELOPMENT (SHENZHEN) CO.,LTD	Its ultimate controller is the same as that of Group
Shenzhen Yuzhan Precision Technology Co.,Ltd.	Its ultimate controller is the same as that of Group
Sharp Corporation	Other related parties
Zhen Ding Tech.	Other related parties
Champ Tech Optical (Foshan) Corporation	Other related parties

Note : Foxconn Optical Interconnect Technologies Singapore Pte. Ltd. changed its name to Foxconn OE Technologies Singapore Pte. Ltd. on January 2, 2020.

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(3) Major transactions with related parties

A. Sales

The significant sales amount of the Group to the related parties are as follows:

	2020	2019
Other related parties		
Foxconn OE Technologies Singapore Pte. Ltd.	\$ 1,015	858,231
Foxconn Interconnect Technology Limited	407,446	613,129
Triple Win Technology (ShenZhen) Co., Ltd.	1,653,187	1,231,101
Other related parties	<u>969</u>	<u>2,650</u>
	<u>\$ 2,062,617</u>	<u>2,705,111</u>

There were no significant differences in the selling prices and trading terms between related parties and other customers. The collection conditions are within four months, which were not significant difference with to other customers.

B. Purchase

The purchase amount of the Group from the related party is as follows:

	2020	2019
Other related parties	<u>\$ 55,040</u>	<u>28,667</u>

There were no significant differences in the purchasing prices and trading terms between related parties and other customers. The payment terms are with four months, which were not significant difference with to other vendors.

C. Expenses for professional services

The details of management service fees and legal fees paid by the Group to the related parties are as follows:

	2020	2019
Ultimate controller	\$ 4,676	7,035
Triple Win Technology (ShenZhen) Co., Ltd.	- <u>56,874</u>	<u>56,874</u>
	<u>\$ 4,676</u>	<u>63,909</u>

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D. Receivables due from related parties

Details of the receivables of the related parties of the Group are as follows:

Account	Related-party categories	2020.12.31	2019.12.31
Accounts receivables— related parties	Other related parties		
	Foxconn OE Technologies Singapore Pte. Ltd.	\$ -	-
	Foxconn Interconnect Technology Limited	101,436	128,766
	Triple Win Technology (ShenZhen) Co., Ltd.	600,228	442,640
	Others	87	86
		\$ 701,751	571,492

As of December 31, 2020 and 2019, no allowance for loss is required for the above-mentioned interested parties.

E. Contract assets

The details of the contract assets of the Group to related parties are as follows:

Account	Related-party categories	2020.12.31	2019.12.31
Current contract assets	Other related parties		
	Foxconn OE Technologies Singapore Pte. Ltd.	\$ -	-
	Triple Win Technology (ShenZhen) Co., Ltd.	12,855	32,763
	Others	- 97	97
		\$ 12,855	32,860

F. Property trading - acquisition of property, plant and equipment

(a) Property, plant and equipment acquired

The purchase price of the real estate, plant and equipment acquired by the Group from the related parties is summarized as follows:

	2020	2019
Foxcavity Precision Industry (ShenZhen) Co., Ltd.	\$ -	16,368
FuShiRui Precision Industry (JinCheng) Co., Ltd.	10,874	4,864
	\$ 10,874	21,232

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(b) Property, plant and equipment disposed

Details of the Group's disposal of property, plant and equipment are as follows:

Related-party categories	2020		2019	
	Proceeds	Gain (loss) on disposal	Proceeds	Gain (loss) on disposal
Other related parties	\$ -	-	727	187

The money for the disposal of property, plant and equipment to other related parties has been fully received as of December 31, 2019.

G. Payables to related parties

The details of the amount payable by the Group to its related parties are as follows:

Account	Related-party categories	2020.12.31	2019.12.31
Accounts payable to related parties	Other related parties	\$ 3,175	1
Other payables to related parties	Ultimate controller	14,805	11,742
	Other related parties		
	Foxcavity Precision Industry (ShenZhen) Co., Ltd.	11,887	1,528
	Others	11,762	21,479
		38,454	34,749
		\$ 41,629	34,750

(4) Remuneration of major management personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefit	\$ 65,519	58,569
Post-employment benefit	350	336
	\$ 65,869	58,905

8. Pledged assets:

Book value list of pledged assets of the Group is as follows:

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Pledged asset	Object	2020.12.31	2019.12.31
Restricted bank deposit (recognized as financial assets measured at amortized cost-noncurrent)	Long-term loan	\$ 8,000	-

9. Significant commitments and contingencies: None.

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other:

The functions of employee welfare, depreciation, depreciation and amortization are summarized as follows:

Account	Function			2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total			
Employee benefit expenses									
Salary expenses	604,348	275,375	879,723	439,647	353,562	793,209			
Health insurance expenses	5,818	6,252	12,070	6,106	6,183	12,289			
Pension expenses	28,331	12,066	40,397	39,185	16,337	55,522			
Other employee benefit expenses	62,046	24,960	87,006	41,645	16,368	58,013			
Depreciation expenses	419,279	73,656	492,935	527,289	61,211	588,500			
Amortization expenses	651	1,469	2,120	855	3,178	4,033			

13. Disclosure of Note:

(1) Information on major transactions:

In 2020, the Group shall disclose the information on the major transactions subject to Regulations Governing the Preparation of Financial Reports by Securities Issuers:

A. Loans to other parties:

Unit: NT\$1,000

NO	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at Decembe 31, 2020	Actual amount drawn down (Note 2)	Interest rate (%)	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans
													Item	Value		
1	ShunSin (Samoa)	Talentek	Other receivables	Y	32,694 (RMB 7,500)	-	-	-	2	-	Business operation	-	-	-	94,097 (Note 2)	376,387 (Note 2)
2	ShunSin (Samoa)	The Company	Other receivables	Y	701,120 (RMB 160,000)	696,736	632,995	-	2	-	Business operation	-	-	-	3,763,868 (Note 3)	3,763,868 (Note 3)

Note 1: The method of filling in the nature of capital loan is as follows:

1. For business trading, please fill in 1.

2. If short-term financing is necessary, please fill in 2.

Note 2: The total amount for a short-term financing shall not exceed 40% of ShunSin (Samoa)'s net value. The limited on loans to single party is 10% of ShunSin (Samoa)'s net value

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which is based on the latest financial statement. ShunSin (Samoa)'s net value is NTD 940,967nd on December 31, 2020

Note 3: The policy for loans mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares, or the policy for loans granted by subsidiaries to the Company whose voting shares are not directly or indirectly wholly-owned, the loan shall not be restricted to the regulation of individual subsidiary, though total loans shall not exceed 400% of the Company's net value.

Note 4: The aforementioned transactions between consolidated individuals have been offset at the time of preparing consolidated financial statements.

B. Endorsement/Guarantee provided: None

C. Marketable securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Hold company name	Marketable Securities Type and Name	Relations with securities issuers	Account subjects	December 31, 2020				Remarks
				Number of share	Book value	Shareholding ratio	Fare value	
ShunSin (Samoa)	Stocks: Dyna Image Corp.	—	Financial assets measured at fair value through profit or loss— non-current	540,000	-	5.56%	-	
ShunSin (Zhongshan)	Stocks: Lansus Technologies Inc.	—	"	-	65,472	1.25%	65,472	
ShunSin (Zhongshan)	Private Fund: Ji Nan Fu Jie industrial investing joint venture	—	"	-	380,528	6.67%	380,528	

D. Individual marketable securities acquired or disposed of with accumulated amount exceeding the lower of NTD 300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NTD 300 million or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NTD 300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of capital stock:

Companies purchasing and selling goods	Counter party	relation	Transaction situation				Reason of trading terms differs from normal transaction	Notes receivable (payable), accounts receivable (payable)	Ratio to total notes receivable, accounts receivable (payable)	Note	
			Purchas e/ (sale)	Amount	Ratio of total purchas e (sales)	Credit period	Unit price	Credit period	Balance		
ShunSin (Zhongshan)	The Company	Parent company	Sale	(1,394,624)	(43.22)%	4 months	-	-	302,278	32.89%	Note 2
ShunSin (Zhongshan)	Triple Win Technology (ShenZhen) Co., Ltd.	Other related party	Sale	(1,653,187)	(51.23)%	4 months	-	-	600,228	65.30%	
The Company	Foxconn Interconnect Technology Limited	Other related party	Sale	(407,446)	(13.74)%	4 months	-	-	101,436	20.96%	

Note 1: The price is calculated at the agreed price.

Note 2: The above transactions with the consolidated individuals have been written off at the time of preparing the consolidated financial statements.

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H. Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

Companies that account for receivables	Name of counter-party	Nature of relationship	Balance of related party receivables	Turnover rate %	Overdue receivables of Related parties		Amount Received in Subsequent Period (Note 2)	Allowance recognized
					Amount	Treatment		
ShunSin (Zhongshan)	The Company	Parent company	Accounts receivable (Note 1): 302,278	3.06	-		302,278	-
ShunSin (Zhongshan)	Triple Win Technology (ShenZhen) Co., Ltd.	Other related party	Accounts receivable: 600,228	3.17	-		521,308	-
ShunSin (Zhongshan)	The Company	Parent company	Other receivables (Note 1): 273,915	-	-		-	-
ShunSin (Zhongshan)	ShunSin (Samoa)	Affiliate	Other receivables (Note 1): 601,570	-	-		-	-
ShunSin (Samoa)	The Company	Parent company	Other receivables (Note 1): 632,995	-	-		-	-
The Company	Foxconn Interconnect Technology Limited	Other related party	Accounts receivable: 101,436	3.54	-		66,435	-

Note 1: The aforementioned transactions between consolidated individuals have been written off in the preparation of consolidated financial statements.

Note 2: As of February 26, 2021.

I. Engaging in derivatives trading: Please refer to Note 6 (2) and (11) for details.

J. Business relations and important transactions between parent and subsidiary companies:

No (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets (Note 3)
				Account name	Amount	Trading terms	
0	The Company	ShunSin (Zhongshan)	1	Purchases	1,394,624	The price is based on the price agreed by both parties	28.72
0	"	"	1	Accounts payable	302,278	Within 4 months	2.06
0	"	"	1	Contract liability	181,930	Recognition by completion ratio	1.24
0	"	"	1	Other payables	273,915	Pay/receive on behalf, no general customers for comparison	1.87
0	"	ShunSin (Samoa)	1	Other payables	632,995	Loan	4.31
1	ShunSin (Samoa)	ShunSin (Zhongshan)	3	Other payables	601,570	Pay/receive on behalf, no general customers for comparison	4.10

Note 1: The information of business transactions between the parent company and the subsidiary company shall be indicated in the No. column respectively. The No. shall be entered

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as follows:

1. Fill in 0 for parent company.
2. Subsidiaries are numbered in sequence starting with 1.

Note 2: There are three types of relationships with a trader, which can be labeled as follows:

1. Parent company to subsidiary company.
2. Subsidiary company to parent company.
3. Subsidiary company to subsidiary company.

Note 3: The calculation of the transaction amount to the consolidated total revenue or the ratio of total assets shall be carried out in the form of the closing balance to the consolidated total assets if it belongs to the subject of assets and liabilities. In the case of subject of profit and loss, the cumulative amount at closing period shall be calculated on the basis of the consolidated total revenue.

Note 4: it is hereby disclosed that the balance sheet accounts for more than 1% of the consolidated total assets and the subject of profit and loss accounts for more than 1% of the total revenue.

Note 5: The aforementioned transactions between consolidated individuals have been written off in the preparation of consolidated financial statements.

(2) Information on re-investment business:

The information of the reinvested business of the Group in 2020 is as follows (excluding the invested company in mainland China) :

Name of investor	Name of investee	Location	Main business and products	Original investment amounts (note3)		Shareholding at the closing period			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Note 1 and 2)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value (Note 1 and 2)			
The Company	ShunSin (Hongkong)	Hongkong	Holding Company	2,589,284	2,589,284	678,808,240	90.15%	8,233,546 (註七)	799,511	720,341	subsidiary
The Company	ShunSin (Samoa)	Samoa	Overseas material and equipment procurement	287,928	287,928	9,510,000	100.00%	940,967	176,954	176,954	subsidiary
The Company	ShunSin (Ha Noi)	Vietnam	Produce high speed optical transceiver	180,234	(note4)	(note4)	100.00%	118,477	(53,791)	(53,791)	subsidiary
The Company	ShunSin (Bac Giang)	Vietnam	Produce high speed optical transceiver	1,188,020	(note5)	(note5)	100.00%	1,151,380	12,255	12,255	subsidiary
The Company	ShunYun (Cayman)	Cayman	Holding Company	6,580	(note6)	230,000	100.00%	6,158	(407)	(407)	subsidiary
ShunSin (Samoa)	ShunSin (Hongkong)	Hongkong	Holding Company	287,622	287,622	74,183,976	9.85%	899,662	799,511	78,752	affiliate

Note 1: According to the financial statements checked by CPA of the parent company, the invested company shall be appraised and recognized at equity.

Note 2: Long-term and current investment gains and losses at the closing period have been written off in the preparation of consolidated financial statements.

Note 3: The above original investment amount is calculated at historical exchange rate.

Note 4: ShunSin (Ha Noi) was registered on December 26, 2019 in Ha Noi, Vietnam. The authorized capital is USD 6,000 thousand. The Company invested USD 6,000 thousand on January 14, 2020, shareholding ratio is 100%. ShunSin (Ha Noi) does not issue shares due to it is limited corporation thus it has no shares.

Note 5: ShunSin (Bac Giang) was registered on May 5, 2020 in Bac Giang, Vietnam. The authorized capital is USD 40,000 thousand. The Company invested total USD 40,000 thousand on May 13, 2020 and July 15, 2020, shareholding ratio is 100%. ShunSin (Bac Giang) does not issue shares due to it is limited corporation thus it has no shares.

Note 6: ShunYun (Cayman) was registered on July 13, 2020 in Cayman island. The authorized capital is USD 40,000 thousand. The Company invested USD 430 thousand as of March 24, 2021, shareholding ratio is 100%. ShunYun (Cayman) does not issue shares due to it is limited corporation thus it has no shares.

Note 7: The booking value of the investment NTD 8,233,546 thousand has deducted the unrealized gain on selling equipment NTD 418 thousand.

(3) Information on investment in Mainland China:

A. Name of mainland invested company, main business contents and other related information

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Name of investee	Main business and products	Paid-in capital	Method of investment(Note1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of investee	Percentage of ownership	Share of profits/ losses of investee (Note 2 and 3)	Carrying value as of December 31, 2020 (Note 2 and 3)	Accumulated inward remittance of earnings as of December 31, 2020
					Outflow	Inflow						
ShunSin (Zhongshan)	Assembly, testing and sales of SiP products and other types of integrated circuits	3,030,692 (RMB 722,637)	(2)	Note 4	Note 4	Note 4	Note 4	915,873 (RMB 213,899)	100.00%	915,873 (RMB 213,899)	9,432,211 (RMB 2,160,972)	Note 4
ShunYun (Zhongshan)	Produce high speed optical transceiver	-	(2)	Note 4	Note 4	Note 4	Note 4	-	100.00%	-	-	Note 4
Talentek	Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment	118,853 (RMB 26,668)	(3)	Note 4	Note 4	Note 4	Note 4	(9,981) (RMB (2,331))	66.25%	(4,680) (RMB (1,093))	79,915 (RMB 18,309)	Note 4

Note 1: The investment modes can be divided into the following three categories, which can be labeled as categories.

1. Direct investment in mainland China.
2. Invest in ShunSin Hong Kong and then re-invest in companies in Hong Kong.
3. Invest in ShunSin Zhong Shan and then re-invest in companies in mainland China.

Note 2: According to the financial statements checked by CPA of the parent company, the invested company is evaluated and listed at equity.

Note 3: Long-term and current investment gains and losses at closing period have been written off at the time of compiling the consolidated financial statements.

Note 4: The Company is not a company in Taiwan, so there is no such amount.

Note 5: The above paid-in capital is calculated at historical exchange rate, the book value held at the closing period is calculated at the exchange rate of December 31, 2020 (exchange rate at closing period RMB: NTD = 1:4.3648), and the remainder is calculated at the average exchange rate (RMB: NTD = 1:4.2818).

B. Investment limits in mainland China: Not applicable.

C. Major transactions with mainland invested companies:

For the major direct or indirect transactions between the Group and the mainland invested company in 2020 (which were written off at the time of compiling the consolidated financial report). Please refer to “Information on Major Transactions”.

(4) Information of major shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding ratio	Unit: Share
Foxconn (Far East) Limited	63,964,800	63,964,800	59.64%	

- A. The main shareholder information in this table is calculated by Taiwan Depository and Clearing Company on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%.
- B. The information on the opening of the shareholder's shareholding and delivery of the trust to the trust was disclosed by the individual trustee who opened the trust account. As for shareholders who handle the declaration of insider shareholdings that hold more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their shareholdings plus their delivery to the trust and the use of decision making shares in the trust property, please refer to the Market Observation Post System for information on insider equity declaration.

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14. Information on Departments

(1) General information

There is only one reporting department in the Group, so please refer to the consolidated balance sheet and consolidated income statement for the information on operating department.

(2) Information on product category and service

The Group operates in a single industry. Hence, the disclosure of business segment information is not required.

(3) Geographic financial information

Export sales revenue by country is based on the billing location of the customer, and non-current assets by location are based on where the assets are located. The information is as follows:

Revenues from external customers:

Region	2020	2019
Mainland China	\$ 1,896,633	2,210,532
Singapore	1,576,936	221,047
Taiwan	768,916	1,191,880
America	499,730	1,556,328
Malaysia	98,430	562,607
Other countries	9,044	2,410
Total	<u>\$ 4,849,689</u>	<u>5,744,804</u>

Non-current assets:

Region	2020.12.31	2019.12.31
Mainland China	\$ 2,120,785	2,322,739
Vietnam	352,293	45,253
Taiwan	2,126	38
Total	<u>\$ 2,475,204</u>	<u>2,368,030</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and prepayment for equipment, not including financial instruments, deferred tax assets and non-current assets with guarantee deposits paid.

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(4) Information on important customers

Revenue from major customers for more than 10% of the Group's total revenue are as follows:

Customer name	2020	2019
A	\$ 1,653,187	1,231,101
B	1,390,351	475,216
C	495,272	1,546,630
D	407,446	613,129
E	1,016	858,231
Total	\$ 3,947,272	4,724,307