

**Co-Tech Development Corporation and
Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CO-TECH DEVELOPMENT CORPORATION

By

RAYMOND SOONG
Chairman

January 27, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Co-Tech Development Corporation

Opinion

We have audited the accompanying consolidated financial statements of Co-Tech Development Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 are as follows:

Occurrence of Revenue

Refer to Note 4 to the accompanying consolidated financial statements for disclosures regarding the accounting policies and detailed information on income.

The Group's revenue mainly comes from the production and sale of copper foil. The contribution of customers' sales is highly affected by the demand of the copper foil industry and the fluctuation of international copper prices. Since sales revenue recognized can have a significant impact on the Group's financial performance, and the main significant risk of the Group is the occurrence of sales revenue. Therefore, we identified the occurrence of revenue as a key audit matter.

In response to the key audit matter on the occurrence of revenue, we performed the following audit procedures:

1. We obtained an understanding and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We obtained an understanding and evaluated the effectiveness of its internal control on revenue recognition to confirm the occurrence of sales.
3. We selected samples and tested sales transactions of the current year and checked the relevant internal and external vouchers to verify the shipments; we checked the sales target and the recipients of the payments and the post-receipt collections for any major abnormalities; we checked the general ledger of sales revenue for any significant debit amount; and we checked the sales returns and allowances ledger for any significant sales returns and discounts to confirm that sales transactions did occur.

Other Matter

We have also audited the parent company only financial statements of Co-Tech Development Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph.

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 IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' 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 auditors' 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 and appropriate audit evidence regarding the financial information of 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 that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chin-Fu Chang and Yung-Hsiang Chao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 27, 2021

Notice to Readers

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

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

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,591,720	39	\$ 2,701,677	39
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	29,297	-	12,542	-
Notes receivable (Notes 4 and 8)	74	-	-	-
Trade receivables (Notes 4 and 8)	1,585,710	24	1,539,939	23
Other receivables (Note 4)	89,731	1	8,087	-
Current tax assets (Notes 4 and 18)	24,236	-	24,888	-
Inventories (Notes 4 and 9)	478,953	7	428,277	6
Other current assets	46,474	1	40,913	1
Total current assets	4,846,195	72	4,756,323	69
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 24)	1,759,354	26	1,980,342	29
Right-of-use assets (Notes 4 and 12)	4,424	-	1,735	-
Other intangible assets, net (Note 4)	1,948	-	3,010	-
Deferred tax assets (Notes 4 and 18)	74,243	1	52,582	1
Refundable deposits	38,258	1	40,802	1
Other non-current assets	13,400	-	12,646	-
Total non-current assets	1,891,627	28	2,091,117	31
TOTAL	\$ 6,737,822	100	\$ 6,847,440	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 13)	\$ 350,531	5	\$ 605,216	9
Short-term bills payable (Note 13)	140,035	2	91,945	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	14	-	1,059	-
Trade payables	334,457	5	349,549	5
Other payables (Note 14)	277,830	4	267,521	4
Current tax liabilities (Notes 4 and 18)	113,202	2	3,125	-
Lease liabilities - current (Notes 4 and 12)	2,050	-	1,721	-
Current portion of long-term borrowings (Notes 13 and 24)	110,600	2	60,540	1
Other current liabilities	22,122	-	12,278	-
Total current liabilities	1,350,841	20	1,392,954	20
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 24)	165,900	2	276,500	4
Deferred tax liabilities (Notes 4 and 18)	8,839	-	5,171	-
Lease liabilities - non-current (Notes 4 and 12)	2,389	-	31	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	53,413	1	48,524	1
Total non-current liabilities	230,541	3	330,226	5
Total liabilities	1,581,382	23	1,723,180	25
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
Share capital				
Ordinary shares	2,525,880	37	2,525,880	37
Capital surplus	1,583,629	24	1,740,234	25
Retained earnings				
Legal reserve	282,039	4	242,369	4
Special reserve	8,279	-	7,992	-
Unappropriated earnings	764,915	12	616,064	9
Total retained earnings	1,055,233	16	866,425	13
Other equity	(8,302)	-	(8,279)	-
Total equity attributable to owners of the parent company	5,156,440	77	5,124,260	75
NON-CONTROLLING INTERESTS				
Total equity	5,156,440	77	5,124,260	75
TOTAL	\$ 6,737,822	100	\$ 6,847,440	100

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

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Note 4)	\$ 6,037,386	100	\$ 5,220,914	100
COST OF GOODS SOLD (Notes 9 and 17)	<u>5,069,304</u>	<u>84</u>	<u>4,436,981</u>	<u>85</u>
GROSS PROFIT	<u>968,082</u>	<u>16</u>	<u>783,933</u>	<u>15</u>
OPERATING EXPENSES (Note 17)				
Selling and marketing expenses	(95,473)	(2)	(76,847)	(2)
General and administrative expenses	(67,069)	(1)	(71,862)	(1)
Research and development expenses	(66,687)	(1)	(50,583)	(1)
Reversal of expected credit losses	<u>-</u>	<u>-</u>	<u>282</u>	<u>-</u>
Total operating expenses	<u>(229,229)</u>	<u>(4)</u>	<u>(199,010)</u>	<u>(4)</u>
OPERATING INCOME	<u>738,853</u>	<u>12</u>	<u>584,923</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	10,572	-	15,482	-
Other income	8,334	-	12,858	-
Other gains and losses (Note 17)	(12,070)	-	(19,797)	-
Impairment loss recognized on disposal of property, plant and equipment	(62,336)	(1)	(45,934)	(1)
Finance costs (Note 17)	<u>(11,494)</u>	<u>-</u>	<u>(21,295)</u>	<u>-</u>
Total non-operating income and expenses	<u>(66,994)</u>	<u>(1)</u>	<u>(58,686)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	671,859	11	526,237	10
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(130,269)</u>	<u>(2)</u>	<u>(139,575)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>541,590</u>	<u>9</u>	<u>386,662</u>	<u>7</u>

(Continued)

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 15)	\$ (4,211)	-	\$ (3,313)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(23)</u>	<u>-</u>	<u>(287)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(4,234)</u>	<u>-</u>	<u>(3,600)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 537,356</u>	<u>9</u>	<u>\$ 383,062</u>	<u>7</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 541,590	9	\$ 396,701	7
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(10,039)</u>	<u>-</u>
	<u>\$ 541,590</u>	<u>9</u>	<u>\$ 386,662</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 537,356	9	\$ 393,101	7
Non-trolling interests	<u>-</u>	<u>-</u>	<u>(10,039)</u>	<u>-</u>
	<u>\$ 537,356</u>	<u>9</u>	<u>\$ 383,062</u>	<u>7</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$2.14</u>		<u>\$1.57</u>	
Diluted	<u>\$2.14</u>		<u>\$1.57</u>	

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

(Concluded)

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent Company					Other Equity Exchange Differences on translation of the Financial Statements Foreign Operations	Total	Non-controlling Interest	Total Equity
	Issue of Shares Capital Amount	Capital Surplus Additional Paid-in Capital from Share Issuance in Excess of Par Value	Retained Earnings						
			Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2019	\$ 2,525,880	\$ 1,740,234	\$ 168,256	\$ 7,702	\$ 858,727	\$ (7,992)	\$ 5,292,807	\$ 4,085	\$ 5,296,892
Appropriation of 2018 earnings									
Legal reserve	-	-	74,113	-	(74,113)	-	-	-	-
Special reserve	-	-	-	290	(290)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(555,694)	-	(555,694)	-	(555,694)
Difference between consideration and carrying amount of subsidiaries acquired or disposed (Note 20)	-	-	-	-	(5,954)	-	(5,954)	5,954	-
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	396,701	-	396,701	(10,039)	386,662
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,313)	(287)	(3,600)	-	(3,600)
BALANCE AT DECEMBER 31, 2019	2,525,880	1,740,234	242,369	7,992	616,064	(8,279)	5,124,260	-	5,124,260
Appropriation of 2019 earnings									
Legal reserve	-	-	39,670	-	(39,670)	-	-	-	-
Special reserve	-	-	-	287	(287)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(348,571)	-	(348,571)	-	(348,571)
Issuance of share dividends from capital surplus	-	(156,605)	-	-	-	-	(156,605)	-	(156,605)
Net profit for the year ended December 31, 2020	-	-	-	-	541,590	-	541,590	-	541,590
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(4,211)	(23)	(4,234)	-	(4,234)
BALANCE AT DECEMBER 31, 2020	\$ 2,525,880	\$ 1,583,629	\$ 282,039	\$ 8,279	\$ 764,915	\$ (8,302)	\$ 5,156,440	\$ -	\$ 5,156,440

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

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 671,859	\$ 526,237
Adjustments for:		
Depreciation expense	241,389	250,495
Amortization expense	1,062	1,053
Expected credit loss reversed on trade receivables	-	(282)
Net gain on fair value changes of financial assets as at fair value through profit or loss	(29,283)	(11,483)
Finance costs	11,494	21,295
Interest income	(10,572)	(15,482)
Net gain on disposal of property, plant and equipment	(28)	(68)
Impairment loss recognized on property, plant and equipment	62,336	45,934
Write-down of inventories	35,238	4,597
Net loss on foreign currency exchange	14,211	25,570
Other non-cash items	4,532	3,338
Changes in operating assets and liabilities		
Notes receivable	(74)	851
Trade receivables	(47,328)	(285,887)
Other receivables	(82,152)	(2,835)
Inventories	(85,914)	126,542
Other current assets	(5,561)	(9,317)
Trade payables	(15,908)	114,624
Other payables	20,404	21,642
Other current liabilities	9,844	8,585
Net defined benefit liabilities	(374)	(1,768)
Cash generated from operations	795,175	823,641
Interest received	11,080	15,356
Interest paid	(11,918)	(21,558)
Income tax paid	(36,481)	(199,884)
Net cash generated from operating activities	<u>757,856</u>	<u>617,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(94,345)	(96,049)
Proceeds from disposal of property, plant and equipment	666	3,956
Increase in refundable deposits	-	(1,713)
Purchases of intangible assets	-	(480)
Decrease (increase) in other non-current assets	(754)	7,345
Net cash used in investing activities	<u>(94,433)</u>	<u>(86,941)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	114,493
Repayments of short-term borrowings	(253,673)	-
Proceeds from short-term bills payable	48,659	-

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CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

	2020	2019
Repayments of short-term bills payable	\$ -	\$ (96,711)
Repayments of long-term borrowings	(60,540)	(21,853)
Repayment of the principal portion of lease liabilities	(2,638)	(2,850)
Cash dividends paid	<u>(505,176)</u>	<u>(555,694)</u>
Net cash used in financing activities	<u>(773,368)</u>	<u>(562,615)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(12)</u>	<u>(235)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(109,957)	(32,236)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,701,677</u>	<u>2,733,913</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,591,720</u>	<u>\$ 2,701,677</u>

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

(Concluded)

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Co-Tech Development Corporation (the “Company”) was established in May 1998. The Company mainly manufactures and sells standard, low profile and high performance series of copper foil products to supply the printed circuit board industry.

The Company’s shares have been traded on the Taipei Exchange (formerly known as Taiwan GreTai Securities Market) since September 2010.

For the purpose of resource integration and operational synergies, the Company merged with Essence Optics Technology Inc. with the Company as the surviving entity, and Essence Optics Technology Inc. was dissolved. The resolution was passed in the board of directors’ meeting on February 20, 2020 and the merger took effect on February 24, 2020.

The consolidated financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on January 27, 2021.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 10 and Tables 3 and 4 for detailed information on subsidiaries, including the percentages of ownership and main businesses.

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

f. Inventories

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

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets and assets related to contract costs

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

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

Impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Refer to Note 22 for the determination of fair value of the financial assets.

ii. Financial assets at amortized cost

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 22.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

k. Revenue recognition

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

Revenue from the sale of goods

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

l. Leases

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

The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable, the Group re-measure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

m. Borrowing costs

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

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

o. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 283	\$ 322
Checking accounts and demand deposits	421,437	651,355
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>2,170,000</u>	<u>2,050,000</u>
	<u>\$ 2,591,720</u>	<u>\$ 2,701,677</u>

The following is the market interest rate range of bank deposits at the end of each reporting period:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Bank deposit	0.001%-0.41%	0.001%-0.65%

7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 9,577
Currency swaps	<u>29,297</u>	<u>2,965</u>
	<u>\$ 29,297</u>	<u>\$ 12,542</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 14</u>	<u>\$ 1,059</u>

At the end of the reporting period, outstanding foreign exchange forward contracts and currency swaps not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Sell foreign exchange forward contracts	CNY/USD	2021.1.12	CNY818/USD125
Currency swaps	USD/NTD	2021.1.21-2021.8.13	USD30,200/NTD875,656
<u>December 31, 2019</u>			
Sell foreign exchange forward contracts	USD/NTD	2020.01.06-2020.03.23	USD26,500/NTD802,239
Sell foreign exchange forward contracts	CNY/USD	2020.01.06	CNY4,740/USD663
Currency swaps	USD/NTD	2020.01.13-2020.01.15	USD7,000/NTD212,335

The Group entered into foreign exchange forward contracts and cross-currency swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The derivative contracts entered into by the Group did not meet the criteria for hedge accounting. Thus, the derivative contracts are classified as financial assets or financial liabilities at FVTPL.

8. NOTES AND TRADE RECEIVABLES, NET

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 74	\$ -
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 74</u>	<u>\$ -</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,585,710	\$ 1,539,939
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,585,710</u>	<u>\$ 1,539,939</u>

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

December 31, 2020

	Not Past Due	Less Than and Including 60 Days	61 to 90 Days	91 to 120 Days	More Than 121 Days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	\$ 1,584,707	\$ 830	\$ -	\$ -	\$ 247	\$ 1,585,784
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>\$ 1,584,707</u>	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247</u>	<u>\$ 1,585,784</u>

December 31, 2019

	Not Past Due	Less Than and Including 60 Days	61 to 90 Days	91 to 120 Days	More Than 121 Days	Total
Expected credit loss rate	0%	0%	0.41%	4.53%	100%	
Gross carrying amount	\$ 1,536,294	\$ 3,397	\$ -	\$ -	\$ 248	\$ 1,539,939
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>\$ 1,536,294</u>	<u>\$ 3,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248</u>	<u>\$ 1,539,939</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ -	\$ 4,094
Less: Net remeasurement of loss allowance	-	(282)
Less: Amounts written off	<u>-</u>	<u>(3,812)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

9. INVENTORIES, NET

	December 31	
	2020	2019
Finished good	\$ 269,590	\$ 267,736
Work in progress	38,274	43,929
Raw materials	146,456	96,354
Supplies	<u>24,633</u>	<u>20,258</u>
	<u>\$ 478,953</u>	<u>\$ 428,277</u>

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

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 5,034,066	\$ 4,432,384
Inventory write-downs	<u>35,238</u>	<u>4,597</u>
	<u>\$ 5,069,304</u>	<u>\$ 4,436,981</u>

10. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	% of Ownership	
			December 31	2020
The Company	Co-Tech Copper Foil (BVI) Inc.	Investment activities	100	100
The Company	Essence Optics Technology Inc.	Manufacturing and selling of glass products	-	100
Co-Tech Copper Foil (BVI) Inc.	Co-Tech Copper Foil Shanghai Trade Ltd.	Selling of copper foil products	100	100

Essence Optics Technology Inc. decreased the share capital by 29,811 thousand ordinary shares to offset a deficit in November 2019. After the capital reduction, one share was issued. In December 2019, the Company subscribed 8,500 thousand shares of Essence Optics Technology Inc. for cash of \$85,000 thousand. After the subscription, the Group increased its shareholding ratio from 91% to 100% of Essence Optics Technology Inc.

For the purpose of resource integration and operational synergies, the Company merged with Essence Optics Technology Inc. with the Company as the surviving entity, and Essence Optics Technology Inc. was dissolved. The resolution was passed in the board of directors' meeting on February 20, 2020 and the merger took effect on February 24, 2020.

b. Subsidiaries excluded from consolidated financial statements: None.

11. PROPERTY, PLANT AND EQUIPMENT, NET

	For the Year Ended December 31, 2019							
	Freehold Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction	Total
Cost								
January 1, 2019	\$ 824,098	\$ 1,363,087	\$ 5,649,877	\$ 44,161	\$ 16,541	\$ 12,644	\$ 47,746	\$ 7,958,174
Additions	-	9,062	21,433	-	29	2,716	39,043	72,283
Disposals	-	(2,164)	(33,878)	(507)	(2,459)	(3,066)	(340)	(42,414)
Effect of foreign currency exchange difference	-	-	-	(54)	(7)	-	-	(61)
Reclassification	-	9,865	17,316	-	-	-	(27,901)	(720)
December 31, 2019	<u>\$ 824,098</u>	<u>\$ 1,379,850</u>	<u>\$ 5,654,748</u>	<u>\$ 43,600</u>	<u>\$ 14,104</u>	<u>\$ 12,314</u>	<u>\$ 58,548</u>	<u>\$ 7,987,262</u>
Accumulated depreciation and impairment								
January 1, 2019	\$ -	\$ 956,662	\$ 4,727,087	\$ 39,130	\$ 14,798	\$ 10,538	\$ 340	\$ 5,748,555
Impairment losses	-	-	45,734	200	-	-	-	45,934
Depreciation expense	-	64,271	180,182	1,295	803	1,102	-	247,653
Disposals	-	(522)	(31,367)	(507)	(2,454)	(3,066)	(340)	(38,526)
Effect of foreign currency exchange difference	-	-	-	(28)	(6)	-	-	(34)
Reclassification	-	-	3,338	-	-	-	-	3,338
December 31, 2019	<u>\$ -</u>	<u>\$ 1,020,411</u>	<u>\$ 4,924,704</u>	<u>\$ 40,090</u>	<u>\$ 13,141</u>	<u>\$ 8,574</u>	<u>\$ -</u>	<u>\$ 6,006,920</u>
December 31, 2019, net	<u>\$ 824,098</u>	<u>\$ 359,439</u>	<u>\$ 730,044</u>	<u>\$ 3,510</u>	<u>\$ 963</u>	<u>\$ 3,740</u>	<u>\$ 58,548</u>	<u>\$ 1,980,342</u>

	For the Year Ended December 31, 2020							
	Freehold Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>								
January 1, 2020	\$ 824,098	\$ 1,379,850	\$ 5,654,748	\$ 43,600	\$ 14,104	\$ 12,314	\$ 58,548	\$ 7,987,262
Additions	-	3,014	73,264	445	155	78	8,326	85,282
Disposals	-	-	(13,194)	(1,254)	(1,124)	(766)	-	(16,338)
Effect of foreign currency exchange difference	-	-	-	(12)	(1)	-	-	(13)
Reclassification	-	4,933	48,266	128	-	-	(53,327)	-
December 31, 2020	<u>\$ 824,098</u>	<u>\$ 1,387,797</u>	<u>\$ 5,763,084</u>	<u>\$ 42,907</u>	<u>\$ 13,134</u>	<u>\$ 11,626</u>	<u>\$ 13,547</u>	<u>\$ 8,056,193</u>
<u>Accumulated depreciation and impairment</u>								
January 1, 2020	\$ -	\$ 1,020,411	\$ 4,924,704	\$ 40,090	\$ 13,141	\$ 8,574	\$ -	\$ 6,006,920
Impairment losses	-	43,619	18,717	-	-	-	-	62,336
Depreciation expense	-	66,306	170,485	916	609	442	-	238,758
Disposals	-	-	(13,158)	(658)	(1,118)	(766)	-	(15,700)
Effect of foreign currency exchange difference	-	-	-	(6)	(1)	-	-	(7)
Reclassification	-	-	4,532	-	-	-	-	4,532
December 31, 2020	<u>\$ -</u>	<u>\$ 1,130,336</u>	<u>\$ 5,105,280</u>	<u>\$ 40,342</u>	<u>\$ 12,631</u>	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ 6,296,839</u>
December 31, 2020, net	<u>\$ 824,098</u>	<u>\$ 257,461</u>	<u>\$ 657,804</u>	<u>\$ 2,565</u>	<u>\$ 503</u>	<u>\$ 3,376</u>	<u>\$ 13,547</u>	<u>\$ 1,759,354</u>

As the Group considers future operation plans and current capacity needs, for the plant and equipment not aligned with production need, the Company determines the amounts of assets by using the value in use and expects that there is no future cash inflow. Impairment loss was recognized at the amount of \$62,336 thousand and \$45,934 thousand and was presented under other gains or losses in the consolidated comprehensive income statements, for the years ended December 31, 2020 and 2019.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	
Main building	14-20 years
Plant construction	3-21 years
Machinery equipment	1-16 years
Transportation equipment	3-6 years
Office equipment	3-4 years
Other equipment	1-11 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 24.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Buildings	\$ 3,403	\$ 1,479
Transportation equipment	<u>1,021</u>	<u>256</u>
	<u>\$ 4,424</u>	<u>\$ 1,735</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 5,325</u>	<u>\$ 1,486</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 1,865	\$ 2,074
Transportation equipment	<u>766</u>	<u>768</u>
	<u>\$ 2,631</u>	<u>\$ 2,842</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	<u>\$ 2,050</u>	<u>\$ 1,721</u>
Non-current	<u>\$ 2,389</u>	<u>\$ 31</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.615%-1.865%	1.865%
Transportation equipment	1.615%-1.865%	1.865%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 250</u>	<u>\$ 24</u>
Expenses relating to low-value asset leases	<u>\$ -</u>	<u>\$ 301</u>
Total cash outflow for leases	<u>\$ (2,932)</u>	<u>\$ (3,233)</u>

The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for short-term leases and low-value asset leases.

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Letter of credit borrowings	\$ 154,216	\$ -
Bank loans	<u>196,315</u>	<u>605,216</u>
	<u>\$ 350,531</u>	<u>\$ 605,216</u>

The range of weighted average effective interest rates on bank loans was 0.54%-0.73% and 1.82%-2.53% per annum on December 31, 2020 and 2019, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Bank acceptances	<u>\$ 140,035</u>	<u>\$ 91,945</u>

Outstanding short-term bills payable were as follows:

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Collateral	Carrying Amount of Collateral
<u>Bank acceptances</u>					
Bank SinoPac	\$ 41,705	\$ -	\$ 41,705	\$ -	\$ -
Far Eastern International Bank	31,229	-	31,229	-	-
Mega International Commercial Bank	26,414	-	26,414	-	-
Taipei Fubon Bank	22,503	-	22,503	-	-
Land Bank of Taiwan	<u>18,184</u>	<u>-</u>	<u>18,184</u>	<u>-</u>	<u>-</u>
	<u>\$ 140,035</u>	<u>\$ -</u>	<u>\$ 140,035</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Collateral	Carrying Amount of Collateral
<u>Bank acceptances</u>					
Hua Nan Commercial Bank	\$ 36,862	\$ -	\$ 36,862	\$ -	\$ -
First Commercial Bank	19,730	-	19,730	-	-
Mega International Commercial Bank	17,875	-	17,875	-	-
Bank SinoPac	<u>17,478</u>	<u>-</u>	<u>17,478</u>	<u>-</u>	<u>-</u>
	<u>\$ 91,945</u>	<u>\$ -</u>	<u>\$ 91,945</u>	<u>\$ -</u>	<u>\$ -</u>

c. Long-term borrowings

	Maturity Date	Major Clause	December 31	
			2020	2019
<u>Floating rate borrowings</u>				
Bank loans	2023.01.11	From January 11, 2018 to 2023, the line of credit of the bank borrowings from Bank SinoPac, secured by the Company's freehold land and buildings, was \$340,000 thousand. The grace period is 2 years. After the grace period expires, payments will be made by installments of 6 months, and the principal amount will be amortized in 6 installments.	\$ 276,500	\$ 331,800
Bank loans	2020.06.23	From June 23, 2015 to 2020, the line of credit of the bank borrowings from Chang Hwa Commercial Bank, secured by the Company's machinery, was \$70,000 thousand. The grace period is 2 years. After the grace period expires, payments will be made by installments of 3 months, and the principal amount will be amortized in 12 installments.	-	5,240
Less: Current portion			276,500 <u>(110,600)</u>	337,040 <u>(60,540)</u>
			<u>\$ 165,900</u>	<u>\$ 276,500</u>
Interest rate			1.615%	1.865%-1.96%

During the term of loan contract, the Group shall maintain the following financial ratios:

- 1) Current ratio: The ratio of current assets to current liabilities shall not be less than 100%.
- 2) Debt ratio: The ratio of total liabilities to (shareholders' equity minus intangible assets) shall not be higher than 200%.
- 3) Net tangible assets: Shall not be less than \$1,700,000 thousand.

The financial ratios are based on the interim and annual consolidated financial statements which have been audited. The Company complies with the financial ratio specifications.

14. OTHER LIABILITIES

	December 31	
	2020	2019
Payables for salaries or bonuses	\$ 63,252	\$ 60,195
Payables for utility	47,190	45,138
Payables for equipment	22,004	31,067
Payables for repair and maintenance	19,227	17,315
Payables for compensation of employees and remuneration of directors	17,227	11,839
Payables for annual leave	9,970	9,780
Others	<u>98,960</u>	<u>92,187</u>
	<u>\$ 277,830</u>	<u>\$ 267,521</u>

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and Essence Optics Technology Inc. of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Also, Co-Tech Copper Foil Shanghai Trade Ltd. contributes the retirement benefit in accordance the provisions of the local government, and the remaining subsidiaries did not have employee retirement plans due to no employees.

b. Defined benefit plans

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 69,724	\$ 63,867
Fair value of plan assets	<u>(16,311)</u>	<u>(15,343)</u>
Net defined benefit liabilities (assets)	<u>\$ 53,413</u>	<u>\$ 48,524</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 60,880</u>	<u>\$ (14,729)</u>	<u>\$ 46,151</u>
Current service cost	-	-	-
Net interest expense (income)	<u>837</u>	<u>(213)</u>	<u>624</u>
Recognized in profit or loss	<u>837</u>	<u>(213)</u>	<u>624</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(430)	(430)
Actuarial loss - changes in demographic assumptions	1,658	-	1,658

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss - changes in financial assumptions	\$ 1,259	\$ -	\$ 1,259
Actuarial loss - experience adjustments	<u>1,654</u>	<u>-</u>	<u>1,654</u>
Recognized in other comprehensive loss (gain)	<u>4,571</u>	<u>(430)</u>	<u>4,141</u>
Contributions from the employer	<u>-</u>	<u>(1,585)</u>	<u>(1,585)</u>
Benefits paid	<u>(1,614)</u>	<u>1,614</u>	<u>-</u>
Company paid	<u>(807)</u>	<u>-</u>	<u>(807)</u>
Balance at December 31, 2019	<u>63,867</u>	<u>(15,343)</u>	<u>48,524</u>
Current service cost	-	-	-
Net interest expense (income)	<u>639</u>	<u>(162)</u>	<u>477</u>
Recognized in profit or loss	<u>639</u>	<u>(162)</u>	<u>477</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(486)	(486)
Actuarial loss - changes in demographic assumptions	784	-	784
Actuarial loss - changes in financial assumptions	4,797	-	4,797
Actuarial loss - experience adjustments	<u>168</u>	<u>-</u>	<u>168</u>
Recognized in other comprehensive loss (gain)	<u>5,749</u>	<u>(486)</u>	<u>5,263</u>
Contributions from the employer	<u>-</u>	<u>(1,658)</u>	<u>(1,658)</u>
Benefits paid	<u>(1,338)</u>	<u>1,338</u>	<u>-</u>
Others	<u>807</u>	<u>-</u>	<u>807</u>
Balance at December 31, 2020	<u>\$ 69,724</u>	<u>\$ (16,311)</u>	<u>\$ 53,413</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

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

	<u>December 31</u>	
	2020	2019
Discount rate	0.500%	1.000%
Expected rate of salary increase	2.250%	2.250%

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

	<u>December 31</u>	
	2020	2019
Discount rate		
0.25% increase	<u>\$ (2,457)</u>	<u>\$ (2,329)</u>
0.25% decrease	<u>\$ 2,570</u>	<u>\$ 2,438</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,483</u>	<u>\$ 2,369</u>
0.25% decrease	<u>\$ (2,388)</u>	<u>\$ (2,275)</u>

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

	<u>December 31</u>	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 1,681</u>	<u>\$ 1,622</u>
The average duration of the defined benefit obligation	14.3 years	14.9 years

16. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2020	2019
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Amount of shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>252,588</u>	<u>252,588</u>
Amount of shares issued	<u>\$ 2,525,880</u>	<u>\$ 2,525,880</u>

b. Capital surplus

The premium from shares issued in excess of par (including share premium from issuance of ordinary shares and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition) and donations may be used to offset a deficit. In addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (restricted to a certain percentage of the Company's capital surplus).

Investments accounted for using the equity method, the capital surplus arising from employees' shares and share options may not be used for any purposes.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, unless the accumulated legal reserve is equal to the total capital of the Company, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors refer to compensation of employees and remuneration of directors in Note 17-e.

The Company's dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. In consideration of the funding needs and the degree of diluted earnings per share, the distribution will be made in the form of share dividends or cash dividends. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 10% of the total dividends.

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

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

The appropriations of earnings for 2019 and 2018, which were approved in the shareholders' meetings on June 10, 2020 and June 13, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	<u>\$ 39,670</u>	<u>\$ 74,113</u>
Special reserve	<u>\$ 287</u>	<u>\$ 290</u>
Cash dividends	<u>\$ 348,571</u>	<u>\$ 555,694</u>
Cash dividends per share (NT\$)	<u>\$ 1.38</u>	<u>\$ 2.2</u>

On June 10, 2018, the Company's shareholders also resolved in the shareholders' meeting to issue cash dividends of \$156,605 thousand (\$0.62 per share) from the capital surplus.

The appropriation of earnings for 2020 was proposed by the Company's board of directors on January 27, 2021. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2020
Legal reserve	<u>\$ 53,738</u>
Special reserve	<u>\$ 23</u>
Cash dividends	<u>\$ 482,443</u>
Cash dividends per share (NT\$)	<u>\$ 1.91</u>

The appropriation of earnings for 2020 will be resolved by the shareholders in their meeting to be held on June 28, 2021.

On January 27, 2021, the Company's board of directors proposed to issue cash dividends of \$22,733 thousand (\$0.09 per share) from the capital surplus and will be resolved by the shareholders in their meeting to be held on June 28, 2021.

17. PROFIT BEFORE TAX

Net income included the following items:

a. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange gains/(losses)	\$ (35,467)	\$ (26,951)
Fair value changes of financial assets and financial liabilities as at FVTPL	29,283	11,483
Net gain on disposal of property, plant and equipment	28	68
Others	<u>(5,914)</u>	<u>(4,397)</u>
	<u>\$ (12,070)</u>	<u>\$ (19,797)</u>

b. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 11,450	\$ 21,237
Interest on lease liabilities	<u>44</u>	<u>58</u>
	<u>\$ 11,494</u>	<u>\$ 21,295</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Recognized in operating costs	\$ 208,429	\$ 234,138
Recognized in operating expenses	<u>32,960</u>	<u>16,357</u>
	<u>\$ 241,389</u>	<u>\$ 250,495</u>
An analysis of amortization by function		
Recognized in operating costs	\$ -	\$ 1
Recognized in operating expenses	<u>1,062</u>	<u>1,052</u>
	<u>\$ 1,062</u>	<u>\$ 1,053</u>

d. Employee benefit expenses

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 10,299	\$ 11,761
Defined benefit plans (Note 15)	<u>477</u>	<u>624</u>
	<u>10,776</u>	<u>12,385</u>
Other employee benefits	<u>284,448</u>	<u>271,922</u>
	<u>\$ 295,224</u>	<u>\$ 284,307</u>
Employee benefit expenses summarized by function		
Recognized in operating costs	\$ 235,705	\$ 215,246
Recognized in operating expenses	<u>59,519</u>	<u>69,061</u>
	<u>\$ 295,224</u>	<u>\$ 284,307</u>

e. Compensation of employees and remuneration of directors

The Company distributed compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The appropriations of compensation of employees and remuneration of directors for 2020 and 2019, which have been approved by the Company's board of directors on January 27, 2021 and February 20, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	1.5%	1.5%
Remuneration of directors	1.0%	1.0%

Amount

	<u>For the Year Ended December 31</u>	
	2020	2019
Compensation of employees	\$ <u>10,336</u>	\$ <u>7,103</u>
Remuneration of directors	\$ <u>6,891</u>	\$ <u>4,736</u>

If there is a change in the proposed amounts after issuance of the annual consolidated financial report, the differences are recognized as a change in accounting estimate and will be adjusted in the following year.

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

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

f. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2020	2019
Foreign exchange gains	\$ 104,247	\$ 98,439
Foreign exchange losses	<u>(139,714)</u>	<u>(125,390)</u>
Net (losses)	\$ <u>(35,467)</u>	\$ <u>(26,951)</u>

18. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Current income tax expense		
In respect of the current year	\$ 149,683	\$ 71,509
Income tax on unappropriated earnings	-	5,367
Adjustments for prior year	<u>(2,473)</u>	<u>(124)</u>
	<u>147,210</u>	<u>76,752</u>
Deferred tax		
In respect of the current year	(16,271)	62,557
Adjustments for prior year	<u>(670)</u>	<u>266</u>
	<u>(16,941)</u>	<u>62,823</u>
Income tax expense recognized in profit or loss	\$ <u>130,269</u>	\$ <u>139,575</u>

A reconciliation of accounting profit and income tax expense and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2020	2019
Income before income tax	<u>\$ 671,859</u>	<u>\$ 526,237</u>
Income tax expense calculated at the statutory rate	\$ 134,372	\$ 105,247
Income tax on unappropriated earnings	-	5,367
Nondeductible items in determining taxable income (deductible)	(960)	(32,829)
Unrecognized deductible temporary differences	110	61,837
Investment gains of foreign operations	(456)	(763)
Effect of different tax rates of entities in the Group operating in other jurisdictions	346	574
Adjustments for prior year's tax	<u>(3,143)</u>	<u>142</u>
Income tax expense recognized in profit or loss	<u>\$ 130,269</u>	<u>\$ 139,575</u>

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	<u>\$ 1,052</u>	<u>\$ 828</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 24,236</u>	<u>\$ 24,888</u>
Current tax liabilities		
Income tax payable	<u>\$ 113,202</u>	<u>\$ 3,125</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Unrealized losses of foreign subsidiaries	\$ 16,248	\$ 456	\$ -	\$ 16,704
Defined benefit obligations	9,839	(236)	1,052	10,655
Unrealized loss on inventories	1,096	7,048	-	8,144
Unrealized foreign exchange losses	7,788	560	-	8,348
Valuation losses on financial instruments	212	(209)	-	3
Revenue recognized	5,653	1,437	-	7,090
Unrealized impairment loss of property, plant and equipment	9,221	11,042	-	20,263
Others	<u>2,525</u>	<u>511</u>	<u>-</u>	<u>3,036</u>
	<u>\$ 52,582</u>	<u>\$ 20,609</u>	<u>\$ 1,052</u>	<u>\$ 74,243</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Valuation gains on financial instruments	\$ 2,509	\$ 3,351	\$ -	\$ 5,860
Unrealized foreign exchange gains	<u>2,662</u>	<u>317</u>	<u>-</u>	<u>2,979</u>
	<u>\$ 5,171</u>	<u>\$ 3,668</u>	<u>\$ -</u>	<u>\$ 8,839</u>

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Unrealized losses of foreign subsidiaries	\$ 15,485	\$ 763	\$ -	\$ 16,248
Defined benefit obligations	9,206	(195)	828	9,839
Unrealized loss on inventories	3,899	(2,803)	-	1,096
Unrealized foreign exchange losses	1,155	6,633	-	7,788
Valuation losses on financial instruments	242	(30)	-	212
Revenue recognized	5,964	(311)	-	5,653
Unrealized impairment loss of property, plant and equipment	4,289	4,932	-	9,221
Others	7,244	(4,719)	-	2,525
Loss carryforwards	<u>62,528</u>	<u>(62,528)</u>	<u>-</u>	<u>-</u>
	<u>\$ 110,012</u>	<u>\$ (58,258)</u>	<u>\$ 828</u>	<u>\$ 52,582</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Valuation gains on financial instruments	\$ 188	\$ 2,321	\$ -	\$ 2,509
Unrealized foreign exchange gains	<u>418</u>	<u>2,244</u>	<u>-</u>	<u>2,662</u>
	<u>\$ 606</u>	<u>\$ 4,565</u>	<u>\$ -</u>	<u>\$ 5,171</u>

e. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities. The Group agreed with the tax authorities' assessment of tax returns.

19. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	\$ 541,590	\$ 396,701
Effects of potentially dilutive ordinary shares:		
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 541,590</u>	<u>\$ 396,701</u>

Weighted Average Number of Ordinary Shares Outstanding

	Unit: In Thousand Shares	
	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	252,588	252,588
Effects of potentially dilutive ordinary shares:		
Compensation of employees	<u>220</u>	<u>200</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>252,808</u>	<u>252,788</u>

The Group may settle the bonuses or remuneration paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the bonus or remuneration will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Essence Optics Technology Inc. decreased the share capital by 29,811 thousand ordinary shares to offset a deficit in November 2019. After the capital reduction, one share was issued. In December 2019, the Company subscribed 8,500 thousand shares of Essence Optics Technology Inc. for cash of \$85,000 thousand. After the subscription, the Group increased its shareholding ratio from 91% to 100% of Essence Optics Technology Inc.

Since the transactions did not change the Group's control over these subsidiaries, the Group treats them as equity transactions.

	Essence Optics Technology Inc.
Consideration paid	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>(5,954)</u>
Differences recognized from equity transactions	<u>\$ (5,954)</u>
<u>Line items adjusted for equity transactions</u>	
Retained earnings	<u>\$ (5,954)</u>

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

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

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

22. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 29,297</u>	<u>\$ -</u>	<u>\$ 29,297</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u>12,542</u>	\$ <u> -</u>	\$ <u>12,542</u>
Financial liabilities at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 1,059</u>	\$ <u> -</u>	\$ <u> 1,059</u>

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

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial assets at FVTPL - Currency swaps	Discounted cash flow. Estimation of fair value of a currency swap contract is based on its principal and interest rate on mutual agreement and the suitable discount rate that reflects the credit risk of various counterparties at the end of the reporting period.

- b. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 29,297	\$ 12,542
Financial assets at amortized costs (1)	4,305,493	4,290,505
<u>Financial liabilities</u>		
FVTPL		
Held for trading	14	1,059
Amortized cost (2)	1,288,904	1,569,457

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables, other receivables, and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, trade payables, other payables, and long-term loans.

c. Financial risk management objectives and policies

The Group's major financial instruments include notes receivable and trade receivables, other receivables, refundable deposits, short-term bills payable, trade payables, other payables, and loans. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using financial derivatives to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written guidelines on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a foreign exchange forward contracts to manage its exposure to foreign currency risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured

a) Foreign currency risk

The Group's had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts and currency swaps.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Group was mainly exposed to the fluctuation of the U.S. dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar against the U.S. dollar. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening against the relevant currency. For a weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	\$ (4,968)	\$ (9,208)

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial assets	\$ 1,570,000	\$ 550,000
Financial liabilities	140,035	91,945
Cash flow interest rate risk		
Financial assets	1,059,693	2,192,155
Financial liabilities	627,031	942,256

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$2,163 thousand and \$6,249 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets; and the maximum amount the entity would have to pay if the financial guarantee is called upon.

The receivables from major customers amounted to \$976,231 thousand and \$955,289 thousand, which both accounted for more than 40% of total trade receivables as of December 31, 2020 and 2019, respectively.

3) Liquidity risk

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

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

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

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

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 375,984	\$ 109,709	\$ 126,594	\$ -	\$ -
Lease liabilities undiscounted	204	346	1,555	2,417	-
Debt instruments	<u>369,409</u>	<u>176,652</u>	<u>55,775</u>	<u>168,579</u>	<u>-</u>
	<u>\$ 745,597</u>	<u>\$ 286,707</u>	<u>\$ 183,924</u>	<u>\$ 170,996</u>	<u>\$ -</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 329,491	\$ 161,055	\$ 126,524	\$ -	\$ -
Lease liabilities undiscounted	238	475	1,018	31	-
Debt instruments	<u>475,624</u>	<u>153,116</u>	<u>131,349</u>	<u>281,657</u>	<u>-</u>
	<u>\$ 805,353</u>	<u>\$ 314,646</u>	<u>\$ 258,891</u>	<u>\$ 281,688</u>	<u>\$ -</u>

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

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 3,505	\$ -	\$ -
Outflows	<u>(3,519)</u>	<u>-</u>	<u>-</u>
	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Net settled</u>			
Foreign exchange forward contracts			
Outflows	\$ -	\$ (440)	\$ -
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	-	79,647	-
Outflows	<u>-</u>	<u>(80,266)</u>	<u>-</u>
	<u>-</u>	<u>(619)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ (1,059)</u>	<u>\$ -</u>

c) Financing facilities

	December 31	
	2020	2019
Amount unused	<u>\$ 3,815,434</u>	<u>\$ 4,276,839</u>

23. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries (the Company's related parties), which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 37,611	\$ 36,390
Post-employment benefits	<u>1,194</u>	<u>1,322</u>
	<u>\$ 38,805</u>	<u>\$ 37,712</u>

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 345,346	\$ 345,346
Buildings, net	101,475	108,261
Machinery, net	<u>-</u>	<u>60,692</u>
	<u>\$ 446,821</u>	<u>\$ 514,299</u>

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. Unused letters of credit for purchases of raw materials and machinery and equipment were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
USD	\$ 14,089	\$ 11,119
JPY	-	20,280

- b. Unrecognized commitments for the acquisition of property, plant and equipment were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
USD	\$ 755	\$ 684
NTD	27,011	48,015

Unpaid amount were as follow:

	<u>December 31</u>	
	2020	2019
USD	\$ 327	\$ 374
NTD	6,712	22,204

26. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, the global economic situation is still facing high risks and uncertainties. However, the Group's operating revenue was \$6,037,386 thousand in 2020, 16% higher than the same period last year; net income was 541,590 thousand, 40% higher than the same period last year with EPS of \$2.14. The Group's operations were normal, and there was no asset impairment or financing risk due to the epidemic in 2020.

27. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In response to the world's fifth-generation mobile network (5G) infrastructure and artificial intelligence-related applications (including network switches, servers, storage, base stations, etc.). On January 27, 2021, the Company's board of directors approved the construction of the third high-frequency and high-speed copper foil plant in Yunlin Technology-based Industrial Park with an annual production capacity of 10,800 tons that cost within NT\$4.05 billion.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the Group's functional currency, and the exchange rates between the respective foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,497	28.045 (USD:NTD)	\$ 1,584,452
CNY	1,168	4.3026 (CNY:NTD)	5,026
Non-monetary items			
Derivative instruments			
USD	30,200	28.045 (USD:NTD)	29,297
<u>Financial liabilities</u>			
Monetary items			
USD	29,839	28.045 (USD:NTD)	836,846
Non-monetary items			
Derivative instruments			
CNY	818	4.3026 (CNY:NTD)	14

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 53,073	29.93 (USD:NTD)	\$ 1,588,489
CNY	5,914	4.503 (CNY:NTD)	25,458
Non-monetary items			
Derivative instruments			
USD	27,500	29.93 (USD:NTD)	12,542
<u>Financial liabilities</u>			
Monetary items			
USD	25,727	29.93 (USD:NTD)	769,995
Non-monetary items			
Derivative instruments			
USD	6,000	29.93 (USD:NTD)	483
CNY	4,740	4.503 (CNY:NTD)	576

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gain (Loss)	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (35,467)	1 (NTD:NTD)	\$ (26,951)
CNY	4.2661 (CNY:NTD)	-	4.4933 (CNY:NTD)	-
		<u>\$ (35,467)</u>		<u>\$ (26,951)</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided: None.
- 2) Endorsements/guarantees provided: (Table 1).
- 3) Marketable securities held (excluding investments in subsidiaries): None.
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 9) Trading in derivative instruments: (Note 7).
 - 10) Intercompany relationships and significant intercompany transactions: (Table 2).
- b. Information on investees: (Table 3).
- c. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 4).
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 5).
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6).

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

Copper foil
Others

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Income	
	For The Years Ended December 31		For The Years Ended December 31	
	2020	2019	2020	2019
Copper foil	\$ 6,037,386	\$ 5,220,901	\$ 738,853	\$ 621,504
Others	-	13	-	(36,581)
	6,037,386	5,220,914	738,853	584,923
Less: Inter-segment revenue or income	-	-	-	-
Total	\$ 6,037,386	\$ 5,220,914	738,853	584,923
Interest income			10,572	15,482
Other Income			8,334	12,858
Other gains and losses			(12,070)	(19,797)
Impairment loss recognized on property, plant and equipment			(62,336)	(45,934)
Finance costs			(11,494)	(21,295)
Profit before tax			\$ 671,859	\$ 526,237

Segment profit represents the profit before tax earned by each segment without interest income, other income, other gains or losses, impairment loss recognized on property, and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Also, the measure of assets and liabilities were not provide to the chief operating decision maker.

b. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 797,957	\$ 859,637	\$ 1,817,332	\$ 2,037,276
China	4,397,199	3,637,629	52	1,259
Korea	526,475	543,191	-	-
Others	<u>315,755</u>	<u>180,457</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,037,386</u>	<u>\$ 5,220,914</u>	<u>\$ 1,817,384</u>	<u>\$ 2,038,535</u>

Non-current assets exclude deferred tax assets.

c. Information about major customers

Single customers contributing 10% or more to the Group's revenue for both 2020 and 2019 were as follows:

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Customer A	\$ 1,263,859	21	\$ 1,127,200	22
Customer B	936,073	16	214,977	4

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Co-Tech Development Corporation	Essence Optics Technology Inc.	A subsidiary in which the Company holds directly over 50% of equity interest.	\$ 515,644	\$ 280,000	\$ -	\$ -	\$ -	5	\$ 2,578,220	Yes	No	No	

Note 1: The relationship between the Company and endorsee/guarantee are as follows: Maximum endorsement guarantee amount 5,156,440 (net assets are based on the latest audited financial statements) x 50% = 2,578,220. The limit on endorsement/guarantee amount provided to each guaranteed party 5,156,440 (net assets are based on the latest audited financial statements) x 10% = 515,644.

Note 2: The intercompany transactions have been eliminated upon consolidation.

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	Co-Tech Development Corporation	Co-Tech Copper Foil Shanghai Trade Ltd.	a.	Sales revenue Trade receivables	\$ 29,197 3,522	Settled monthly (90-120 days) Settled monthly (90-120 days)	- -

Note 1: The parent company and its subsidiaries are coded as follows:

- a. The parent company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- a. From the parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: The intercompany transactions have been eliminated upon consolidation.

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Co-Tech Development Corporation	CO-TECH COPPER FOIL (BVI) INC. Essence Optics Technology Inc.	Virgin Islands Yunlin County	Investment activities Manufacturing and selling of glass products	\$ 113,683 -	\$ 113,683 85,000	3,500 -	100 -	\$ 6,235 -	\$ (2,280) (5,259)	\$ (2,280) (5,259)	Subsidiary Subsidiary

Note: Refer to Table 4 for information on investments in mainland China.

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
CO-TECH COPPER FOIL SHANGHAI TRADE LTD.	Selling of copper foil products	Registered and paid-in capital of US\$200	Note 1	\$ 6,796	\$ -	\$ -	\$ 6,796	\$ (2,193)	100	\$ (2,193)	\$ 4,914	\$ -

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 6,796	US\$ 200	\$3,093,864 (Note 3)

Note 1: Indirect investment in mainland China through CO-TECH COPPER FOIL (BVI) INC.

Note 2: Investment gain (loss) was recognized based on the Company's audited financial statements.

Note 3: Net assets value x 60% = \$5,156,440 x 60% = \$3,093,864.

CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%	
CO-TECH COPPER FOIL SHANGHAI TRADE LTD.	Sale	\$ 29,917	-	Normal	Settled monthly (90-120 days)	No significant difference	\$ 3,522	-	\$ -

TABLE 6**CO-TECH DEVELOPMENT CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
SONG, GONG-YUAN	13,812,998	5.46

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