

BAOTEK INDUSTRIAL MATERIALS LTD.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of BAOTEK INDUSTRIAL MATERIALS LTD.

Opinion

We have audited the accompanying balance sheets of BAOTEK INDUSTRIAL MATERIALS LTD. as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BAOTEK INDUSTRIAL MATERIAL LTD. as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Company's financial statements of the current period are stated as follows:

Cutoff of warehouse sales revenue

Description

Refer to Note 4(22) for details of revenue recognition. The Company recognises sales revenue when goods are drop-shipped from factories directly and when customers accept the goods. The supporting documents of revenue recognition include reports or other information provided by warehouse custodians and inventory movement record of warehouse.

As there are hubs located around the world and numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are in various locations around the world, the process of revenue recognition contains numerous manual procedures. Since there are numerous daily revenue from hubs and from FOB destination and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cutoff has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Obtained an understanding of the Company's operations and industry, and assessed the reasonableness of the policy and procedures to recognise revenue.
2. Assessed and checked the appropriateness of cutoff of sales revenue around the balance sheet date, and verified the statements provided by the warehouse custodian.
3. Confirmed the inventory quantities with warehouse custodian and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies and accounting records and tested the reconciling items made by the Company in order to confirm whether the significant differences have been adjusted.
4. Confirmed the inventory quantities by performing physical inventory count observation and agreed the results to accounting records.

Valuation of inventory

Description

Refer to Note 4(11) for description of accounting policy on inventory valuation, Note 5(2) for accounting

estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of inventories. As of December 31, 2020, inventory and allowance for inventory valuation losses amounted NT\$303,173 thousand and NT\$12,665 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of electronic glass fabrics. As the Company's inventories belong to a rapidly changing industry and are easily affected by the market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Thus, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Ascertained whether the policies on allowance for inventory valuation losses were reasonable and consistently applied in all the periods.
2. Validated the accuracy of inventory aging report, sampled and confirmed the consistency of quantities and amounts indicated in the inventory listing, and verified the proper categorization of inventory aging report.
3. Evaluated and confirmed the reasonableness of net realisable value, and examined the reasonableness of provision for allowance for inventory valuation losses.

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

Chiang, Tsai-yen

Liu, Chien-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2021

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

BAOTEK INDUSTRIAL MATERIALS LTD.
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 100,423	5	\$ 23,233	1
1110	Financial assets at fair value through profit or loss - current	6(2)	84	-	-	-
1120	Current financial assets at fair value through other comprehensive income	6(3) and 12(3)	50,663	2	76,223	4
1136	Current financial assets at amortised cost	6(4)	-	-	5,096	-
1170	Accounts receivable, net	6(5)	328,837	16	389,550	20
1180	Accounts receivable - related parties	6(5) and 7	100,103	5	91,244	5
1200	Other receivables		17,754	1	15,185	1
1210	Other receivables due from related parties	7	621	-	74	-
130X	Inventories, net	6(6)	290,508	14	352,175	18
1410	Prepayments		5,838	-	17,683	1
1470	Other current assets		15,484	1	11,084	-
11XX	Total current assets		<u>910,315</u>	<u>44</u>	<u>981,547</u>	<u>50</u>
Non-current assets						
1600	Property, plant and equipment	6(7), 7 and 8	1,048,127	51	963,536	49
1755	Right-of-use assets	6(8)	6,743	-	4,246	-
1840	Deferred income tax assets	6(22)	50,889	3	28,992	1
1900	Other non-current assets		44,597	2	2,650	-
15XX	Total non-current assets		<u>1,150,356</u>	<u>56</u>	<u>999,424</u>	<u>50</u>
1XXX	Total assets		<u>\$ 2,060,671</u>	<u>100</u>	<u>\$ 1,980,971</u>	<u>100</u>

(Continued)

BAOTEK INDUSTRIAL MATERIALS LTD.
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term loans	6(9)(25) and 8	\$ -	-	\$ 16,000	1
2170	Accounts payable		16,417	1	15,945	1
2180	Accounts payable - related parties	7	147,912	7	167,275	8
2200	Other payables	6(10)	84,526	4	93,841	5
2220	Other payables - related parties	6(10) and 7	19,341	1	1,464	-
2280	Current lease liabilities	6(25)	5,959	-	3,520	-
2300	Other current liabilities	6(15)	2,500	-	519	-
21XX	Total current liabilities		<u>276,655</u>	<u>13</u>	<u>298,564</u>	<u>15</u>
Non-current liabilities						
2580	Non-current lease liabilities	6(25)	816	-	753	-
2600	Other non-current liabilities	6(11)	12,272	1	9,643	1
25XX	Total non-current liabilities		<u>13,088</u>	<u>1</u>	<u>10,396</u>	<u>1</u>
2XXX	Total liabilities		<u>289,743</u>	<u>14</u>	<u>308,960</u>	<u>16</u>
Equity						
Share capital						
3110	Common stock	6(12)	1,948,940	95	1,948,940	98
Accumulated deficit						
3350	Accumulated deficit	6(13)	(133,807)	(7)	(224,669)	(11)
Other equity interest						
3400	Other equity interest	6(14)	(44,205)	(2)	(52,260)	(3)
3XXX	Total equity		<u>1,770,928</u>	<u>86</u>	<u>1,672,011</u>	<u>84</u>
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		<u>\$ 2,060,671</u>	<u>100</u>	<u>\$ 1,980,971</u>	<u>100</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(15) and 7	\$ 1,450,112	100	\$ 1,479,692	100
5000 Operating costs	6(6)(20)(21) and 7	(1,267,947)	(87)	(1,277,714)	(86)
5900 Net operating margin		<u>182,165</u>	<u>13</u>	<u>201,978</u>	<u>14</u>
Operating expenses	6(20)(21)				
6100 Selling expenses		(27,156)	(2)	(29,289)	(2)
6200 General and administrative expenses		(58,141)	(4)	(56,611)	(4)
6300 Research and development expenses		(9,771)	(1)	(10,401)	(1)
6450 Impairment loss (impairment gain and reversal of impairment loss)	12(2)	<u>17</u>	<u>-</u>	<u>(148)</u>	<u>-</u>
6000 Total operating expenses		<u>(95,051)</u>	<u>(7)</u>	<u>(96,449)</u>	<u>(7)</u>
6900 Operating profit		<u>87,114</u>	<u>6</u>	<u>105,529</u>	<u>7</u>
Non-operating income and expenses					
7100 Interest income	6(16)	73	-	302	-
7010 Other income	6(17)	9,478	1	7,942	1
7020 Other gains and losses	6(18)	(21,872)	(2)	(12,073)	(1)
7050 Finance costs	6(19)	(115)	-	(708)	-
7000 Total non-operating income and expenses		<u>(12,436)</u>	<u>(1)</u>	<u>(4,537)</u>	<u>-</u>
7900 Profit before income tax		<u>74,678</u>	<u>5</u>	<u>100,992</u>	<u>7</u>
7950 Income tax benefit	6(22)	<u>21,055</u>	<u>2</u>	<u>12,818</u>	<u>1</u>
8200 Profit for the year		<u>\$ 95,733</u>	<u>7</u>	<u>\$ 113,810</u>	<u>8</u>
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311 Loss on defined benefit plan	6(11)	(\$ 4,209)	-	(\$ 559)	-
8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(14)	<u>6,551</u>	<u>-</u>	<u>7,321</u>	<u>-</u>
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	<u>842</u>	<u>-</u>	<u>112</u>	<u>-</u>
8310 Other comprehensive income that will not be reclassified to profit or loss		<u>3,184</u>	<u>-</u>	<u>6,874</u>	<u>-</u>
8300 Other comprehensive income for the year		<u>\$ 3,184</u>	<u>-</u>	<u>\$ 6,874</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 98,917</u>	<u>7</u>	<u>\$ 120,684</u>	<u>8</u>
Basic and diluted earnings per share (in dollars)					
9750 Earnings per share	6(23)	<u>\$ 0.49</u>	<u>0.49</u>	<u>\$ 0.58</u>	<u>0.58</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Accumulated deficit	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>2019</u>					
Balance at January 1, 2019		\$ 1,948,940	(\$ 338,032)	(\$ 59,581)	\$ 1,551,327
Net income		-	113,810	-	113,810
Other comprehensive income	6(3)(11)(14)	-	(447)	7,321	6,874
Total comprehensive income		-	113,363	7,321	120,684
Balance at December 31, 2019		<u>\$ 1,948,940</u>	<u>(\$ 224,669)</u>	<u>(\$ 52,260)</u>	<u>\$ 1,672,011</u>
<u>2020</u>					
Balance at January 1, 2020		\$ 1,948,940	(\$ 224,669)	(\$ 52,260)	\$ 1,672,011
Net income		-	95,733	-	95,733
Other comprehensive income	6(3)(11)(14)	-	(3,367)	6,551	3,184
Total comprehensive income		-	92,366	6,551	98,917
Disposal of equity instruments at fair value through other comprehensive income	6(3)(14)	-	(1,504)	1,504	-
Balance at December 31, 2020		<u>\$ 1,948,940</u>	<u>(\$ 133,807)</u>	<u>(\$ 44,205)</u>	<u>\$ 1,770,928</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 74,678	\$ 100,992
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(18)	(84)	213
Depreciation	6(7)(8)(20)	105,655	94,753
Expected credit losses	12(2)	(17)	148
Loss (gain) on disposal of property, plant and equipment	6(18)	127	(380)
Property, plant and equipment reclassified to expense		10	-
Gain on lease modification	6(8)(18)	(29)	-
Interest income	6(16)	(73)	(302)
Interest expense	6(19)	115	708
Dividend income	6(17)	(4,546)	(3,993)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		60,732	560
Accounts receivable - related parties		(8,861)	(12,869)
Other receivables		(2,569)	1,592
Other receivables due from related parties		(547)	(74)
Inventories, net		61,667	35,265
Prepayments		11,845	5,553
Other current assets		(4,400)	(7,281)
Other non-current assets		(20,982)	586
Changes in operating liabilities			
Accounts payable		472	(9,802)
Accounts payable - related parties		(19,363)	4,199
Other accounts payable		3,611	(6,731)
Other accounts payable - related parties		(91)	91
Other current liabilities		1,981	350
Net defined benefit liabilities		(1,580)	(18,746)
Cash inflow generated from operations		257,751	184,832
Interest received		73	302
Interest paid		(119)	(733)
Dividends received		4,546	3,993
Net cash flows from operating activities		<u>262,251</u>	<u>188,394</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortized cost	6(4)	5,096	(5,096)
Acquisition of property, plant and equipment	6(24)	(179,859)	(114,762)
Proceeds from disposal of property, plant and equipment		42	380
(Increase) decrease in refundable deposits		(20,965)	402
Return of capital from current financial assets at fair value	6(3)	-	218
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	32,111	-
Net cash flows used in investing activities		<u>(163,575)</u>	<u>(118,858)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(25)	204,385	899,384
Decrease in short-term loans	6(25)	(220,385)	(972,761)
Payment of lease liability	6(8)(25)	(5,486)	(3,683)
Net cash flows used in financing activities		<u>(21,486)</u>	<u>(77,060)</u>
Net increase (decrease) in cash and cash equivalents		77,190	(7,524)
Cash and cash equivalents at beginning of year	6(1)	23,233	30,757
Cash and cash equivalents at end of year	6(1)	<u>\$ 100,423</u>	<u>\$ 23,233</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

BAOTEK INDUSTRIAL MATERIALS LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in high-end fiberglass fabrics for copper clad laminates of various electronic applications. NITTO BOSEKT CO., LTD. holds 47.65% equity interest in the Company through public tender offer on August 10, 2018, becoming the Company’s major shareholder since that date. NITTO BOSEKI CO., LTD. holds more than half of the directors in the Company on June 21, 2019, becoming the Company’s parent company since that date.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on March 18, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
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 International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Company's presentation currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

- A. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive

income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the

weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 ~ 56 years
Machinery and equipment	1 ~ 15 years
Other equipment	1 ~ 5 years

(13) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the 0.90%~1.30% incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Amounts expected to be payable by the lessee under residual value guarantees.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(16) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate

and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from regulation of Income tax to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(20) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(21) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(22) Revenue recognition

Sales of goods

- A. The Company manufactures and sells a range of high-end fiberglass fabrics. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. The sales usually are made with a credit term between 30~120 days, which is the same with the market practice, so the contract does not include a significant financing component.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Valuation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. The valuation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the valuation.

As of December 31, 2020, the carrying amount of inventories was \$290,508.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 54	\$ 44
Checking accounts and demand deposits	100,369	23,189
Time deposits	<u>-</u>	<u>-</u>
	<u>\$ 100,423</u>	<u>\$ 23,233</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Valuation adjustment	<u>\$ 84</u>	<u>\$ -</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ 4,742</u>	<u>(\$ 991)</u>

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	<u>December 31, 2020</u>	
<u>Derivative financial instruments</u>	<u>Contract amount (notional principal in thousands)</u>	<u>Contract period</u>
Current item:		
Forward foreign exchange	USD 2,390	2020.12~2021.01

As of December 31, 2019: None.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

D. The Company entered into forward foreign exchange contracts to buy to hedge exchange rate risk of operating activities proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(3) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Equity instruments		
Listed stocks	\$ 94,868	\$ 128,483
Valuation adjustment	(44,205)	(52,260)
	<u>\$ 50,663</u>	<u>\$ 76,223</u>

- A. As at December 31, 2020 and 2019, the Company has elected to classify listed stocks investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$50,663 and \$76,223, respectively.
- B. Aiming to satisfy the capital management strategy, the Company sold \$32,111 of listed stocks at fair value and the loss on disposal of investment was \$1,504 during 2020.
- C. The Company reacquired \$218 due to the capital reduction from the listed stocks investment during 2019.
- D. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 6,651</u>	<u>\$ 7,321</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>(\$ 1,504)</u>	<u>\$ -</u>
Dividend income recognised in profit or loss		
Held at end of year	\$ 2,769	3,993
Derecognised during the year	<u>1,777</u>	<u>-</u>
	<u>\$ 4,546</u>	<u>\$ 3,993</u>

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current item:		
Time deposits	\$ -	\$ 5,096

- A. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$0 and \$5,096, respectively.
- B. The Company has no financial assets at amortised cost pledged to others as collateral.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 328,938	\$ 389,670
Accounts receivable - related parties	100,133	91,272
Less: Allowance for uncollectible accounts	(131)	(148)
	\$ 428,940	\$ 480,794

- A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2020	December 31, 2019
Up to 30 days	\$ 148,464	\$ 130,335
31 to 90 days	198,383	256,774
91 to 180 days	82,224	93,833
	\$ 429,071	\$ 480,942

The above ageing analysis was based on invoice date.

- B. The Company does not hold any collateral for its accounts receivable as security.
- C. As of December 31, 2020 and 2019, and January 1, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was \$428,940, \$480,794 and \$468,633, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 68,344	(\$ 421)	\$ 67,923
Supplies	1,642	-	1,642
Work in progress	59,409	(24)	59,385
Finished goods	173,778	(12,220)	161,558
	<u>\$ 303,173</u>	<u>(\$ 12,665)</u>	<u>\$ 290,508</u>

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 78,133	(\$ 884)	\$ 77,249
Supplies	1,253	-	1,253
Work in progress	62,975	(85)	62,890
Finished goods	216,498	(5,715)	210,783
	<u>\$ 358,859</u>	<u>\$ (6,684)</u>	<u>\$ 352,175</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of goods sold	\$ 1,263,497	\$ 1,284,584
Gain (loss) on reversal of decline in market value	5,981 (5,478)
Revenue from sales of scrapes	(1,531)	(1,392)
	<u>\$ 1,267,947</u>	<u>\$ 1,277,714</u>

The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventories which were previously provided with allowance were subsequently sold.

(7) Property, plant and equipment

2020						
	Land	Buildings and structures	Machinery	Others	Construction in progress and to be inspected devices	Total
<u>At January 1</u>						
Cost	\$ 363,594	\$ 535,113	\$ 1,918,835	\$ 259,083	\$ 53,952	\$ 3,130,577
Accumulated depreciation	-	(305,709)	(1,653,505)	(207,827)	-	(2,167,041)
	<u>\$ 363,594</u>	<u>\$ 229,404</u>	<u>\$ 265,330</u>	<u>\$ 51,256</u>	<u>\$ 53,952</u>	<u>\$ 963,536</u>
Opening net book amount as at January 1						
	\$ 363,594	\$ 229,404	\$ 265,330	\$ 51,256	\$ 53,952	\$ 963,536
Additions	-	10,814	103,959	3,897	66,505	185,175
Disposals	-	-	(154)	(15)	-	(169)
Depreciation charge	-	(20,786)	(69,660)	(9,689)	-	(100,135)
Transfer	-	1,496	51,716	460	(53,952)	(280)
Closing net book amount as at December 31	<u>\$ 363,594</u>	<u>\$ 220,928</u>	<u>\$ 351,191</u>	<u>\$ 45,909</u>	<u>\$ 66,505</u>	<u>\$ 1,048,127</u>
<u>At December 31</u>						
Cost	\$ 363,594	\$ 544,547	\$ 1,953,106	\$ 257,914	\$ 66,505	\$ 3,185,666
Accumulated depreciation	-	(323,619)	(1,601,915)	(212,005)	-	(2,137,539)
	<u>\$ 363,594</u>	<u>\$ 220,928</u>	<u>\$ 351,191</u>	<u>\$ 45,909</u>	<u>\$ 66,505</u>	<u>\$ 1,048,127</u>
2019						
	Land	Buildings and structures	Machinery	Others	Construction in progress and to be inspected devices	Total
<u>At January 1</u>						
Cost	\$ 363,594	\$ 525,684	\$ 1,877,789	\$ 263,448	\$ 10,156	\$ 3,040,671
Accumulated depreciation	-	(287,382)	(1,608,869)	(207,381)	-	(2,103,632)
	<u>\$ 363,594</u>	<u>\$ 238,302</u>	<u>\$ 268,920</u>	<u>\$ 56,067</u>	<u>\$ 10,156</u>	<u>\$ 937,039</u>
Opening net book amount as at January 1						
	\$ 363,594	\$ 238,302	\$ 268,920	\$ 56,067	\$ 10,156	\$ 937,039
Additions	-	9,574	33,297	3,571	71,098	117,540
Depreciation charge	-	(18,472)	(61,809)	(10,762)	-	(91,043)
Transfer	-	-	24,922	2,380	(27,302)	-
Closing net book amount as at December 31	<u>\$ 363,594</u>	<u>\$ 229,404</u>	<u>\$ 265,330</u>	<u>\$ 51,256</u>	<u>\$ 53,952</u>	<u>\$ 963,536</u>
<u>At December 31</u>						
Cost	\$ 363,594	\$ 535,113	\$ 1,918,835	\$ 259,083	\$ 53,952	\$ 3,130,577
Accumulated depreciation	-	(305,709)	(1,653,505)	(207,827)	-	(2,167,041)
	<u>\$ 363,594</u>	<u>\$ 229,404</u>	<u>\$ 265,330</u>	<u>\$ 51,256</u>	<u>\$ 53,952</u>	<u>\$ 963,536</u>

- A. For the years ended December 31, 2020 and 2019, no borrowing cost was capitalized as part of property, plant and equipment for both years.
- B. Information on the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The Company acquired and owned a land, No. 0487-000 Ruiyuan Section, Yang-Mei District for the year ended December 31, 2017. The land is 2,782.35 square meters, which was for farming and grazing held by another person. The Company has acquired the landowners' mortgage registration to guarantee the rights of the uncompleted transfer of the land.

(8) Leasing arrangements—lessee

- A. The Company leases various assets including buildings, other equipment, transportation equipment, multifunction printers. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise parts of transportation equipment. Low-value assets comprise other equipment and multifunction printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	Carrying amount	Carrying amount
Buildings	\$ 5,446	\$ 3,905
Transportation equipment	1,297	341
	<u>\$ 6,743</u>	<u>\$ 4,246</u>
	Year ended	Year ended
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	Depreciation charge	Depreciation charge
Buildings	\$ 5,017	\$ -
Transportation equipment	503	547
	<u>\$ 5,520</u>	<u>\$ 3,710</u>

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$9,690 and \$0, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 84	\$ 82
Expense on short-term lease contracts	2,295	3,003
Gain or loss on lease modification	29	-

- F. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases

was \$7,685 and \$6,768, respectively.

(9) Short-term borrowings

As of December 31, 2020: None.

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings			
Bank secured borrowings	\$ <u>16,000</u>	1.20%	Land, buildings and structures

(10) Other payables (including related parties)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued salaries and bonuses	\$ 32,370	\$ 33,645
Payables for equipment	31,196	26,150
Estimated utility	7,141	7,130
Others	<u>33,160</u>	<u>28,380</u>
	<u>\$ 103,867</u>	<u>\$ 95,305</u>

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 48,686)	(\$ 46,015)
Fair value of plan assets	<u>36,448</u>	<u>36,406</u>
Net defined benefit liability	<u>(\$ 12,238)</u>	<u>(\$ 9,609)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	(\$ 46,015)	\$ 36,406	(\$ 9,609)
Current service cost	(651)	-	(651)
Interest (expense) income	(318)	253	(65)
	<u>(46,984)</u>	<u>36,659</u>	<u>(10,325)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,116	1,116
Change in demographic assumptions	(52)	-	(52)
Change in financial assumptions	(5,463)	-	(5,463)
Experience adjustments	190	-	190
	<u>(5,325)</u>	<u>1,116</u>	<u>(4,209)</u>
Pension fund contribution	-	2,296	2,296
Paid pension	3,623	(3,623)	-
Balance at December 31	<u>(\$ 48,686)</u>	<u>\$ 36,448</u>	<u>(\$ 12,238)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	(\$ 45,438)	\$ 17,641	(\$ 27,797)
Current service cost	(656)	-	(656)
Interest (expense) income	(449)	174	(275)
	<u>(46,543)</u>	<u>17,815</u>	<u>(28,728)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	681	681
Change in demographic assumptions	(4)	-	(4)
Change in financial assumptions	(1,243)	-	(1,243)
Experience adjustments	7	-	7
	<u>(1,240)</u>	<u>681</u>	<u>(559)</u>
Pension fund contribution	-	19,678	19,678
Paid pension	1,768	(1,768)	-
Balance at December 31	<u>(\$ 46,015)</u>	<u>\$ 36,406</u>	<u>(\$ 9,609)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	0.30%	0.70%
Future salary increases	3.00%	2.00%

For the years ended December 31, 2020 and 2019, the assumption regarding mortality rate in the future is set based on the 5th Taiwan Standard Ordinary Experience Mortality Table. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 1,061)	\$ 1,097	\$ 1,065	(\$ 1,036)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 1,039)	\$ 1,075	\$ 1,058	(\$ 1,029)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to \$564.
- (g) As of December 31, 2020, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,118
1-2 year(s)		2,936
2-5 years		7,317
Over 5 years		38,354
	<u>\$</u>	<u>49,725</u>

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on xxx% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$6,402 and \$6,494, respectively.

(12) Share capital

- A. As of December 31, 2020, the Company’s authorised capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,948,940 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. There are 29,000 thousand shares which were raised through private placement that are yet to be publicly issued.
- B. To increase the Company’s working capital, the stockholders at their annual stockholders’ meeting on June 13, 2007 adopted a resolution to raise additional cash through private placement with the effective date set on June 9, 2008. The shares to be issued through the private placement is 29,000 thousand shares at the price of \$7.55 (in dollars) per share. The amount of capital raised through the private placement was \$218,950 which had been registered.
- C. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

D. Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Expressed in shares)	
	2020	2019
At January 1 (At December 31)	\$ 194,893,964	\$ 194,893,964

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. However, when the legal reserve amounts to the authorized capital, this provision shall not apply. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting. In the Articles of Incorporation, the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto, a report of such distribution shall be submitted to the shareholders during their meeting.

The Company is in the growth stage. Taking into account the future capital needs and fulfilling the shareholder's need for cash inflow, cash dividends shall account for at least 20% of the total cash and stock dividends distributed. The percentage can only be increased when the Company has sufficient cash to meet the liquidity requirements.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. For the years ended December 31, 2020 and 2019, the Company did not distribute retained earnings due to the accumulated deficit. The Board of Directors during its meeting on March 13, 2020 proposed to offset the accumulated deficit of 2019 which was resolved at the shareholders' meeting on June 9, 2020. On March 18, 2021, the Board of Directors proposed to offset the accumulated deficit as of December 31, 2020.

(14) Other equity items

	<u>2020</u>	
	<u>Unrealised gains (losses) on valuation</u>	
At January 1	(\$	52,260)
Revaluation		6,551
Revaluation transferred to retained earnings		<u>1,504</u>
At December 31	(\$	<u>44,205</u>)
	<u>2019</u>	
	<u>Unrealised gains (losses) on valuation</u>	
At January 1	(\$	59,581)
Revaluation		7,321
At December 31	(\$	<u>52,260</u>)

(15) Operating revenue

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Revenue from contracts with customers	\$ 1,450,112	\$ 1,479,692

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

<u>2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 366,518	\$ 492,252	\$ 591,342	\$ 1,450,112
Timing of revenue recognition				
At a point in time	\$ 366,518	\$ 492,252	\$ 591,342	\$ 1,450,112
<u>2019</u>	<u>Taiwan</u>	<u>China</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 407,301	\$ 563,349	\$ 509,042	\$ 1,479,692
Timing of revenue recognition				
At a point in time	\$ 407,301	\$ 563,349	\$ 509,042	\$ 1,479,692

B. Contract assets and liabilities

(a) The Company has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities (shown as other current liabilities)	\$ 1,967	\$ 330	\$ 118

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue recognized that was included in the contract liability balance at the beginning of the year	\$ <u>314</u>	\$ <u>100</u>

(16) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income:		
Interest income from bank deposits	\$ 63	\$ 284
Other interest income	<u>10</u>	<u>18</u>
	<u>\$ 73</u>	<u>\$ 302</u>

(17) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Dividend income	\$ 4,546	\$ 3,993
Others	<u>4,932</u>	<u>3,949</u>
	<u>\$ 9,478</u>	<u>\$ 7,942</u>

(18) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
(Losses) gains on disposals of property, plant and equipment	(\$ 127)	\$ 380
Foreign exchange losses	(19,678)	(10,148)
Gains arising from lease modifications	29	-
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	84	(213)
Miscellaneous disbursements	<u>(2,180)</u>	<u>(2,092)</u>
	<u>(\$ 21,872)</u>	<u>(\$ 12,073)</u>

(19) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense	\$ <u>115</u>	\$ <u>708</u>

(20) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	242,139	235,298
Depreciation	105,655	94,753
	<u>\$ 347,794</u>	<u>\$ 330,051</u>

(21) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 204,835	\$ 197,842
Labour and health insurance fees	16,971	16,909
Pension costs	7,118	7,425
Other personnel expenses	13,215	13,122
	<u>\$ 242,139</u>	<u>\$ 235,298</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

The abovementioned distributable profit is pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration.

B. As of December 31, 2020 and 2019, the Company had an accumulated deficit hence no employees' compensation and directors' and supervisors' remuneration was accrued for the years ended December 31, 2020 and 2019.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense (benefit)

(a) Components of income tax expense:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the year	\$ 14,433	\$ 21,087
Total current tax	<u>14,433</u>	<u>21,087</u>
Deferred tax:		
Origination and reversal of temporary differences	790 (23,870)
Impact of change in taxable loss	(14,433) (10,035)
Change in assessment of realisation of taxable loss	(21,845)	-
Total deferred tax	<u>(35,488)</u>	<u>(33,905)</u>
Income tax (benefit) expense	<u>(\$ 21,055)</u>	<u>(\$ 12,818)</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Remeasurement of defined benefit obligations	\$ 842	\$ 112

B. Reconciliation between income tax benefit and accounting profit

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 14,936	\$ 20,198
Tax exempt income by tax regulation	(909)	(798)
Temporary differences not recognised as deferred tax assets	1,196 (1,096)
Effect from taxable loss income tax	<u>(36,278)</u>	<u>(31,122)</u>
Income tax benefit	<u>(\$ 21,055)</u>	<u>(\$ 12,818)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses as follows:

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Temporary difference				
Unused vacation pay	\$ 1,447	\$ 138	\$ -	\$ 1,585
Unrealised exchange loss	2,354	(911)	-	1,443
Unrealised financial instruments valuation loss (gain)	-	(17)	-	(17)
Accrued pension liabilities	634	-	842	1,476
Taxable losses	<u>24,557</u>	<u>21,845</u>	<u>-</u>	<u>46,402</u>
	<u>\$ 28,992</u>	<u>\$ 21,055</u>	<u>\$ 842</u>	<u>\$ 50,889</u>
	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Temporary differences				
Unused vacation pay	\$ 1,219	\$ 228	\$ -	\$ 1,447
Unrealised exchange loss	(158)	2,512	-	2,354
Unrealised financial instruments valuation loss (gain)	(43)	43	-	-
Accrued pension liabilities	522	-	112	634
Taxable losses	<u>14,522</u>	<u>10,035</u>	<u>-</u>	<u>24,557</u>
	<u>\$ 16,062</u>	<u>\$ 12,818</u>	<u>\$ 112</u>	<u>\$ 28,992</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2013	\$ 149,787	\$ 53,006	\$ -	2023
2014	113,311	113,311	-	2024
2015	<u>65,695</u>	<u>65,695</u>	<u>-</u>	<u>2025</u>
	<u>\$ 328,793</u>	<u>\$ 232,012</u>	<u>\$ -</u>	

December 31, 2019

Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2013	\$ 149,787	\$ 125,248	\$ 2,462	2023
2014	113,311	113,311	113,311	2024
2015	65,695	65,695	65,695	2025
	<u>\$ 328,793</u>	<u>\$ 304,254</u>	<u>\$ 181,468</u>	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$ 12,665</u>	<u>\$ 6,684</u>

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(23) Earnings per share

	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 95,733</u>	<u>\$ 194,894</u>	<u>\$ 0.49</u>
	<u>Year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 113,810</u>	<u>194,894</u>	<u>\$ 0.58</u>

(24) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 185,175	\$ 117,540
Add: Opening balance of payable on equipment	26,150	23,372
Less: Ending balance of payable on equipment	(31,196)	(26,150)
Less: Others	(270)	-
Cash paid during the year	<u>\$ 179,859</u>	<u>\$ 114,762</u>

(25) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities
At January 1, 2020	\$ 16,000	\$ 4,273
Increase in cash flow from financing activities - Short-term borrowings	204,385	-
Decrease in cash flow from financing activities - Short-term borrowings	(220,385)	-
Payment of lease liabilities	-	(5,486)
Increase in lease liabilities	-	9,690
Decrease in lease liabilities	-	(1,702)
Interest payment of lease liabilities	-	(84)
Interest expense amortisation of lease liabilities	-	84
At December 31, 2020	<u>\$ -</u>	<u>\$ 6,775</u>
	Short-term borrowings	Lease liabilities
At January 1, 2019	\$ 89,377	\$ 7,956
Increase in cash flow from financing activities - short-term borrowings	899,384	-
Decrease in cash flow from financing activities - short-term borrowings	(972,761)	-
Payment of lease liabilities	-	(3,683)
Interest payment of lease liabilities	-	(82)
Interest expense amortisation of lease liabilities	-	82
At December 31, 2019	<u>\$ 16,000</u>	<u>\$ 4,273</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
NITTO BOSEKI CO., LTD.	Parent company (Note 1)
NITTO BO MACAU CLASS WEAVING CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TECHNO CO., LTD.	Fellow subsidiary (Note 2)
SOYO CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TAIWAN CO., LTD.	Fellow subsidiary (Note 2)

Note 1: The company acquired 47.65% shares of the Company on August 10, 2018, and became a parent company related party of the Company since that date.

Note 2: The Company is a subsidiary of NITTO BOSEKI CO., LTD.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Sales of services:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 281,553	\$ 202,280
Fellow subsidiary		
NITTO MACAU CLASS WEAVING CO., LTD.	89,070	141,630
Others	53,148	5,298
	<u>\$ 423,771</u>	<u>\$ 349,208</u>

Goods are sold based on the price lists in force and terms that would be available to third parties. The above sales are made at terms with a collection period of 90 days, whereas the receivables from third parties were at terms with a collection period between 30~120 days and others were payment in advance.

B. Purchases:

	Year ended December 31, 2020	Year ended December 31, 2019
Purchases of goods:		
Parent company	\$ 130,282	\$ 117,491
NITTO BOAEKI CO., LTD.		
Fellow subsidiary		
NITTOBO ASIA GLASS FIBER CO., LTD.	487,623	474,013
Others	19,155	19,756
	<u>\$ 637,060</u>	<u>\$ 611,260</u>

Goods purchased from related parties are not purchased from third parties, so the purchase prices are not comparable. The purchases were made at normal commercial terms and conditions. The payables to related parties arise mainly from purchase transactions, and payments were due in 90 days, whereas the payments for third parties were due in 60~120 days.

C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 61,547	\$ 45,866
Fellow subsidiary		
NITTO MACAU CLASS WEAVING CO., LTD.	25,186	44,227
NITTO TAIWAN CO., LTD.	10,238	50
Others	3,132	1,101
	<u>100,103</u>	<u>91,244</u>
Other receivable:		
Parent company:		
NITTO BOSEKI CO., LTD.	604	-
Fellow subsidiary		
NITTO MACAU CLASS WEAVING CO., LTD.	-	24
Others	17	50
	<u>621</u>	<u>74</u>
	<u>\$ 100,724</u>	<u>\$ 91,318</u>

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 20,313	\$ 22,351
Fellow subsidiary:		
NITTO ASIA GLASS FIBER CO., LTD.	123,139	141,966
Others	4,460	2,958
	<u>147,912</u>	<u>167,275</u>
Other payables – acquisition of property, plant and equipment:		
Fellow subsidiary:		
NITTOBO TECHNO CO., LTD.	19,341	1,373
Other payables		
Fellow subsidiary:		
Others	-	91
	<u>\$ 167,253</u>	<u>\$ 168,739</u>

E. Property transactions

Acquisition of property, plant and equipment:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Fellow subsidiary		
NITTOBO TECHNO CO., LTD.	\$ 36,714	\$ 32,639

(3) Key management compensation

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Short-term employee benefits	\$ 14,192	\$ 13,968
Post-employment benefits	282	282
	<u>\$ 14,474</u>	<u>\$ 14,250</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	<u>Book value</u>		Purpose
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Land	\$ 351,099	\$ 351,099	Short-term borrowings / loan facilities
Buildings and structures	133,143	138,066	Short-term borrowings / loan facilities
	<u>\$ 484,242</u>	<u>\$ 489,165</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

As of December 31, 2020 and 2019, the letters of credit issued but not used were \$25,143 and \$81,523, respectively.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 84,764	\$ 23,737

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company has to maintain lots of capital to afford extending and upgrading the factories and equipment. Hence, capital management of the Company is to ensure that they have enough financial resources and operating strategy to afford the operating funds, capital output and research and development expenses within twelve months from the balance sheet date. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During the year ended December 31, 2020, the Company's strategy, which was unchanged from 2019, was to maintain the properly gearing ratio. The gearing ratios were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 289,743	\$ 308,960
Total assets	\$ 2,060,671	\$ 1,980,971
Gearing ratio	<u>14.06%</u>	<u>15.60%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 50,663	\$ 76,223
Financial assets at amortised cost		
Cash and cash equivalents	100,423	23,233
Financial assets at amortised cost	-	5,096
Accounts receivable, net	328,837	389,550
Accounts receivable - related parties	100,103	91,244
Other receivables	17,754	15,185
Other receivables - related parties	621	74
Guarantee deposits paid	23,272	2,307
	<u>\$ 621,673</u>	<u>\$ 602,912</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 16,000
Accounts payable	16,417	15,945
Accounts payable - related parties	147,912	167,275
Other accounts payable	84,526	93,841
Other accounts payable - related parties	19,341	1,464
Guarantee deposits received	34	34
	<u>\$ 268,230</u>	<u>\$ 294,559</u>
Lease liability	<u>\$ 6,775</u>	<u>\$ 4,273</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management of the Company is to focus on unpredictable events in financial market and minimise any adverse effects on the financial performance of the Company. Derivatives are used exclusively for hedging purposes. Please refer to note 6(2).
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of

derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The sales and purchases of the Group are mainly denominated in USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to manage the Company's foreign exchange risk against its functional currency. The Company is required to hedge the entire foreign exchange risk exposure with the Company treasury. To control the foreign exchange risk of future business transactions and recognized assets and liabilities, forward foreign exchange contracts are adopted by the Company's financial department. The foreign exchange risk arises from future business transactions, recognized assets and liabilities expressed in non-functional currency.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,358	28.48	\$ 408,921
RMB:NTD	399	4.38	1,745
JPY:NTD	72,261	0.28	19,966
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 911	28.48	\$ 25,956
EUR:NTD	23	35.02	818
JPY:NTD	72,150	0.28	19,935
<u>Non-monetary items:</u> None.			

				December 31, 2019		
				Foreign currency amount		Book value
				(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	15,283		29.98	\$	458,184
EUR:NTD		12		33.59		403
RMB:NTD		312		4.31		1,345
JPY:RMB		32,217		0.28		9,021
<u>Non-monetary items:</u> None.						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	873		29.98	\$	26,173
EUR:NTD		3		33.59		101
JPY:NTD		10,309		0.28		2,887
<u>Non-monetary items:</u> None.						

- iv. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to (\$19,678) and (\$10,148), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

							Year ended December 31, 2020		
							Sensitivity analysis		
							Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)									
<u>Financial assets</u>									
<u>Monetary items</u>									
USD:NTD		1%	\$	4,089	\$			-	
RMB:NTD		1%		17				-	
JPY:NTD		1%		200				-	
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD		1%	\$	260	\$			-	
EUR:NTD		1%		8				-	
JPY:NTD		1%		199				-	

Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 4,582	\$ -
EUR:NTD	1%	4	-
RMB:NTD	1%	13	-
JPY:NTD	1%	90	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 262	\$ -
EUR:NTD	1%	1	-
JPY:NTD	1%	29	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,520 and \$2,287, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortised cost and bank deposits.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, the

Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customer's accounts receivable, in accordance with credit risk on trade and customer types. The Company applies the modified approach using the provision matrix to estimate expected credit loss.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability of the adjusted historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix, loss rate methodology is as follows:

	Not past due	Up to 180 days past due	181~365 days past due	Over 365 days past due	Total
<u>At December 31, 2020</u>					
Expected loss rate	0.03%	0%	0%	0%	
Total book value	<u>\$ 429,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,071</u>
Loss allowance	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131</u>
<u>At December 31, 2019</u>					
Expected loss rate	0.03%	0%	0%	0%	
Total book value	<u>\$ 480,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,942</u>
Loss allowance	<u>\$ 148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148</u>

xii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2020</u>
	Accounts receivable
At January 1	\$ 148
Provision for impairment	(17)
At December 31	<u>\$ 131</u>
	<u>2019</u>
	Accounts receivable
At January 1	\$ -
Provision for impairment	148
At December 31	<u>\$ 148</u>

(c) Liquidity risk

The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>December 31, 2020</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Accounts payable	\$ 14,046	\$ 2,371	\$ -	\$ -	\$ 16,417
Accounts payable- related parties	147,912	-	-	-	147,912
Other accounts payable	80,021	4,505	-	-	84,526
Other accounts payable- related parties	19,341	-	-	-	19,341
Lease liability	1,548	4,454	494	330	6,826

Non-derivative financial liabilities

<u>December 31, 2019</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Short-term borrowings	\$ -	\$ 16,000	\$ -	\$ -	\$ 16,000
Accounts payable	13,214	2,731	-	-	15,945
Accounts payable - related parties	167,275	-	-	-	167,275
Other accounts payable	90,578	3,263	-	-	93,841
Other accounts payable - related parties	1,464	-	-	-	1,464
Lease liabilities	941	2,613	757	-	4,311

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and convertible bonds is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables and lease liabilities are

approximate to their fair values.

- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ -	\$ 84	\$ -	\$ 84
Financial assets at fair value through other comprehensive income	<u>50,663</u>	<u>-</u>	<u>-</u>	<u>50,663</u>
	<u>\$ 50,663</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 50,747</u>

Liabilities

Recurring fair value measurements: None.

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ 76,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,233</u>
	<u>\$ 76,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,233</u>

Liabilities

Recurring fair value measurements: None.

- D. The methods and assumptions the Company used to measure fair value are as follows:
The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

<u>Market quoted price</u>	<u>Listed shares</u>
	Closing price

- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1, Level 2 and Level 3.
- F. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

14. SEGMENT INFORMATION

(1) Segment information

The Company mainly manufactures and sells electronic fiberglass fabrics, and the nature of the manufacturing process and sales method of the products are similar. The single operating department allocates resources and assesses performance of the Company as a whole, therefore, the Company do not disclose the segment information.

(2) Information on products and services

The Company mainly manufactures and sells electronic fiberglass fabrics, and the nature of the manufacturing process and sales method of the products are similar. Therefore, the Company is not required to disclose the finance information of products.

(3) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 366,518	\$ 1,076,195	\$ 407,301	\$ 968,125
China	492,252	-	563,349	-
Others	591,342	-	509,042	-
	<u>\$ 1,450,112</u>	<u>\$ 1,076,195</u>	<u>\$ 1,479,692</u>	<u>\$ 968,125</u>

(4) Major customer information

Major customer information of the Company for the years ended December 31, 2020 and 2019 is as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 281,553	The Company	\$ 202,280	The Group
B	266,000	The Company	278,040	The Group
C	220,945	The Company	237,159	The Group
D	155,542	The Company	145,062	The Group

BAOTEK INDUSTRIAL MATERIALS LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020			Fair value	Footnote
				Number of shares	Book value	Ownership (%)		
BAOTEK INDUSTRIAL MATERIALS LTD.	Compal Electronics, Inc. ordinary shares	-	Financial assets at fair value through other comprehensive income - current	2,134,527	\$ 44,185	0.05%	\$ 44,185	
BAOTEK INDUSTRIAL MATERIALS LTD.	Formosan Union Chemical Corp. ordinary shares	-	Financial assets at fair value through other comprehensive income - current	415,298	6,478	0.09%	6,478	

BAOTEK INDUSTRIAL MATERIALS LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary	Purchases	\$ 487,623	70%	Note 1	Note 1	Note 1	(\$ 123,139)	(75%)	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	Parent	Purchases	130,282	19%	Note 1	Note 1	Note 1	(\$ 20,313)	(12%)	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	Parent	Sales	(281,553)	(19%)	Note 2	Note 2	Note 2	\$ 61,547	14%	

Note 1: Goods purchased from related parties cannot be purchased from third parties, so the price is not comparable. The payments were due in 90 days.

Note 2: Goods are sold based on the price list in force that would be available to third parties. The sales are made at terms with a collection period of 90 days

BAOTEK INDUSTRIAL MATERIALS LTD.
 Significant inter-company transactions during the reporting period
 For the year ended December 31, 2020

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Sales revenue	\$ 281,553	Note4	19.42%
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Accounts receivable	61,547	Note4	2.99%
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Purchases	130,282	Note5	8.98%
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Accounts payable	20,313	Note5	0.99%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Goods are sold based on the price list in force that would be available to third parties. The sales are made at terms with a collection period of 90 days.

Note 5: Goods are purchases from related parties almost are not purchases from third parties, so the price are not comparable. The purchase were made at normal commercial terms and conditions, and the payments were due in 90 days.

BAOTEK INDUSTRIAL MATERIALS LTD.

Major shareholders information

December 31, 2020

Table 4

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
NITTO BOSEKI CO., LTD.	92,865,791	47.64%

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 1

Item	Description	Amount
Cash on hand		\$ 54
Cash in banks		
Demand deposits		
-New Taiwan Dollars		79,148
-Foreign currencies	USD 23,777.49, foreign exchange rate 28.48	677
	JPY 72,261,283, foreign exchange rate 0.28	19,966
	RMB 112,232.8, foreign exchange rate 4.38	491
Check deposits		87
		<u>\$ 100,423</u>

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Name of Financial Instrument	Description	Shares	Face Value	Total Amount	Interest Rate	Cost	Fair Value		Note
							Unit Price	Total Amount	
Compal Electronics, Inc.	Ordinary shares	2,134,527	\$ 10	\$ 21,345	-	\$ 87,155	\$ 20.70	\$ 44,185	
Formosan Union Chemical Corp.	Ordinary shares	415,298	10	4,153	-	7,713	15.60	6,478	
Subtotal				<u>\$ 25,498</u>		94,868		<u>\$ 50,663</u>	
Less: Valuation adjustment						(44,205)			
Total						<u>\$ 50,663</u>			

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

Client Name	Description	Amount	Note
Third parties			
A		\$ 111,351	
B		70,039	
C		34,388	
D		23,924	
E		22,730	
F		21,801	
			No balance of each remaining item is greater than 5% of this account.
Others		<u>44,705</u>	
		328,938	
Less: Allowance for uncollectible accounts		(101)	
		<u>328,837</u>	
Related parties			
NITTO BOSEKI CO., LTD.		61,566	
NITTO MACAU CLASS WEAVING CO.,		25,193	
NITTOBO TAIWAN CO., LTD.		10,241	
			No balance of each remaining item is greater than 5% of this account.
Others		<u>3,133</u>	
		100,133	
Less: Allowance for uncollectible accounts		(30)	
		<u>100,103</u>	
		<u>\$ 428,940</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Item	Description	Amount		Footnote
		Cost	Net Realizable Value	
Raw materials		\$ 68,344	\$ 64,802	NOTE
Supplies		1,642	1,653	"
Work in progress		59,409	92,378	"
Finished goods		173,778	177,923	"
		<u>303,173</u>	<u>\$ 336,756</u>	
Less: Allowance for valuation loss		(12,665)		
		<u>\$ 290,508</u>		

Note: Net realisable value is based on the market value.
The above inventories were not pledged to others.

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Item	Beginning Balance	Addition	Decrease	Transfer	Ending Balance	Collateral	Note
Land	\$ 363,594	\$ -	\$ -	\$ -	\$ 363,594	Some pledged as collateral for short-term borrowings	
Buliding and structures	535,113	10,814	(2,876)	1,496	544,547	Some pledged as collateral for short-term borrowings	
Machinery	1,918,835	103,959	(121,404)	51,716	1,953,106	None	
Development equipment	8,497	-	-	-	8,497	None	
Transportation equipment	2,585	-	-	-	2,585	None	
Office equipment	7,185	360	(110)	460	7,895	None	
Other equipment	240,816	3,537	(5,416)	-	238,937	None	
Construction in progress and to be inspected devices	53,952	66,505	-	(53,952)	66,505	None	
	<u>\$ 3,130,577</u>	<u>\$ 185,175</u>	<u>(\$ 129,806)</u>	<u>(\$ 280)</u>	<u>\$ 3,185,666</u>		

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

Item	Beginning Balance	Addition	Decrease	Ending Balance	Note
Building and structures	\$ 305,709	\$ 20,786	(\$ 2,876)	\$ 323,619	
Machinery	1,653,505	69,660	(121,250)	1,601,915	
Development equipment	4,781	485	-	5,266	
Transportation equipment	2,462	46	-	2,508	
Office equipment	6,730	360	(110)	6,980	
Other equipment	193,854	8,798	(5,401)	197,251	
	<u>\$ 2,167,041</u>	<u>\$ 100,135</u>	<u>(\$ 129,637)</u>	<u>\$ 2,137,539</u>	

BAOTEK INDUSTRIAL MATERIALS LTD
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 7

Client Name	Description	Amount	Note
Third parties			
G		\$ 5,282	
H		3,040	
I		2,233	
J		1,398	
K		1,040	
			No balance of each remaining item is greater than 5% of this account.
Others		<u>3,424</u>	
		<u>16,417</u>	
Rleated parties			
NITTO ASIA GLASS FIBER CO., LTD.		123,139	
NITTO BOSEKI CO., LTD.		20,313	
			No balance of each remaining item is greater than 5% of this account.
Others		<u>4,460</u>	
		<u>147,912</u>	
		<u>\$ 164,329</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 8

<u>Item</u>	<u>Volume</u>	<u>Amount</u>
Fiberglass fabrics	56,803	\$ 1,456,705
	(In thousands of square meters)	
Raw materials	2 (metric tons)	1,242
Less: Sales return	204	(6,033)
	(In thousands of square meters)	
Sales allowance		(1,802)
		<u>\$ 1,450,112</u>

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

<u>Item</u>	<u>Amount</u>
Beginning balance of raw materials	\$ 78,133
Add: Purchased during the year	653,523
Less: Ending balance of raw materials	(68,344)
Transferred to expenses	(117)
Used during the year	663,195
Beginning balance of supplies	1,253
Add: Purchased during the year	41,345
Less: Ending balance of supplies	(1,642)
Supplies sold	(1,052)
Transferred to expenses	(5,809)
Used during the year	34,095
Direct labor	141,234
Manufacturing expense	393,050
Manufacturing cost	1,231,574
Add: Beginning balance of work in progress	62,975
Transfer from finished goods	290,911
Less: Transferred to manufacturing expenses	(5,023)
Transferred to development expenses	(432)
Ending balance of work in progress	(59,409)
Cost of work in Progress	1,520,596
Add: Beginning finished goods	216,498
Purchased finished goods	26
Less: Transferred to expenses	(9,986)
Transferred to finished goods	(290,911)
Ending balance of finished goods at December 31	(173,778)
Manufacturing and selling costs	1,262,445
Cost of materials sold	1,052
Cost of goods sold	1,263,497
Inventory Falling Price Loss	5,981
Revenue from sales of scraps	(1,531)
Operating costs	<u>\$ 1,267,947</u>

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

Item	Description	Amount	Note
Utility expense		\$ 100,318	
Depreciation		96,619	
Repairs and maintenance expense		58,929	
Wages, salaries and other personal expense		58,100	
Gas expense		28,275	
			No balance of each remaining item is greater than 5% of this account.
Other expenses		50,809	
		<u>\$ 393,050</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

Item	Description	Amount	Note
Freight		\$ 18,041	
Wages, salaries and other personnal expense		4,832	
Other expenses		<u>4,283</u>	No balance of each remaining item is greater than 5% of this account.
		<u>\$ 27,156</u>	

BAOTEK INDUSTRIAL MATERIALS LTD
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

Item	Description	Amount	Note
Wages, salaries and other personnal expense		\$ 31,723	
Depreciation		7,742	
Professional service fees		7,389	
			No balance of each remaining item is greater than 5% of this account.
Other expenses		<u>11,287</u>	
		<u>\$ 58,141</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 13

Item	Description	Amount	Note
Wages, salaries and other personal expense		\$ 6,250	
Depreciation		1,294	
Mangement fees		912	
Research and development expenses		834	
Other expenses		481	No balance of each remaining item is greater than 5% of this account.
		<u>\$ 9,771</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 14

Nature \ Function	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 167,286	\$ 34,153	\$ 201,439	\$ 161,941	\$ 32,297	\$ 194,238
Labour and health insurance fees	14,136	2,835	16,971	14,281	2,628	16,909
Pension costs	5,632	1,486	7,118	5,760	1,665	7,425
Directors' remuneration	-	3,396	3,396	-	3,604	3,604
Other personnel expenses	12,280	935	13,215	12,373	749	13,122
Depreciation	96,619	9,036	105,655	86,780	7,973	94,753
Amortisation	-	-	-	-	-	-

Note:

- 1.As at December 31, 2020 and 2019, the Company had 357 and 360 employees, and 9 directors who were not employees, respectively.
- 2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:
 - (1) Average employee benefit expense in current year \$686.
Average employee benefit expense in previous year \$660.
 - (2) Average employees salaries in current year \$579.
Average employees salaries in previous year \$553.
 - (3) Adjustments of average employees salaries 5%.
 - (4) The Company established an audit committee on June 21, 2019, the Company did not elect a supervisor in accordance with the law.
Remuneration of the supervisors in current year \$0 (in dollars), remuneration of the supervisors in previous year \$343 (in dollars).

BAOTEK INDUSTRIAL MATERIALS LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AMORTIZATION EXPENSES BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 14

- (5) Please disclose the company's remuneration policy (including directors, supervisors, managerial officers and employees).
- A. The remuneration of directors and supervisors is fixed remuneration regarding to the peer industry, and there is no variance remuneration. Moreover, the remuneration policy follows the Company's articles of association.
 - B. The remuneration of the Company's managers is based on the Company's salary policy and the position in the peer industry market, within the Company's scope of authority and responsibility for the position and the contribution to the Company's operating goals.
 - C. Talent is an important asset of the company. The salary and remuneration policy of the Company's employees is different according to job rank, position, attributes, or special conditions. The salary of the employees follows the labor laws and regulations, with the goal of creating a mutually beneficial relationship between the Company and its employees. Every year, the company conducts promotions based on operating performance, team goal achievement and individual performance, skills certification, and market salary surveys to conduct salary adjustment policies to attract, motivate and retain outstanding talents, and employee bonuses are in accordance with the Company's articles of association.