Stock code: 2449

京元電子股份有限公司
The Testing Industry Benchmark

2020 Annual Report

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Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw/
Official website of King Yuan Electronics Co., Ltd. at http://www.kyec.com.tw/

I. Company spokesman and Deputy spokesman
Name: Logan Chao, Aaron Chang
Title: Vice President and CFO, Division Director
Telephone: (03)575-1888
E-mail: invest@kyec.com.tw

II. Addresses and telephone numbers for Headquarters, Branch offices and Factories
Headquarters: No. 81, Sec. 2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C.
Telephone: (03)575-1888
Branch offices: No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.
Telephone: (037)595-666
Branch offices: No. 8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C.
Telephone: (037)980-188
Factories: No.81, Sec.2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C.
Telephone: (03)575-1888
No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.
Telephone: (037)595-666
No. 8, Tongke N. Rd., Tongluo Township, Miao-Li County, Taiwan, R.O.C.
Telephone: (037)980-188

III. Share administration agency:
Name: Share Registration Agency Service Department, Horizon Securities Co., Ltd.
Address: 3F., No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.
Website: www.honsec.com.tw
Telephone: (02)7719-8899

IV. CPAs for the most recent Independent External Auditor's Report
Name of accountant: Shao-Pin Kuo, Wen-Fun Fuh
Name of CPA firm: Ernst & Young
Address: 9F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.
Website: www.ey.com
Telephone: (02)2757-8888

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A

VI. Company website: www.kyec.com.tw

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Letter to Shareholders

Ladies and gentlemen:

In 2020, due to the global impact of COVID-19 and the U.S.'s interfering impact on the economics and trade, politics and technology of various countries around the world as well as its populism factor caused by domestic elections, the fluctuation was unexpected from the optimistic semiconductor industry in the beginning of the year to hard-pressed productivity of the supply chain at the end of year. This also changed the past rhythm of business cycle in the global semiconductor industry. However, the annual growth rate of the Company's operating revenue still exceeded the average growth rate of the global semiconductor industry. The earnings per share reached a new height in the recent 16 years and the overall business result was not easy to come by. The Company's business status is described as follows.

Business Plan Implementation Results

I. The consolidated net revenue was NTD 28.96 billion in 2020, which grew by 13.4% from 2019. Gross margin reached 27.5%, relatively similar to the gross margin in 2019. After-tax earnings per share was calculated at NTD 2.97, up 19.3% from 2019.

II. At the beginning of the year, due to the COVID-19 pandemic outbreak and the restrictive order further announced by the U.S. government on the technologies of China, the global economic growth was in decline. Nevertheless, for the semiconductor manufacturing industry, under the positive impacts of the work from home, home economy and customers' increased orders to maintain sufficient stocks and to ensure continuous supply without being affected by the long lead time for semiconductor supply chain, along with the customers' accelerated planning in the 5G environmental application products and digital technologies, all such factors have resulted in a significant increase of market demands. Accordingly, in the fourth quarter, the semiconductor industry faced the situation of demand oversupply and, unlike previous low seasons, achieved a positive outcome overall. Under positive impacts, the Company has also been able to reallocate its production capacity to other customers from previous important customers that cannot continue to place orders due to the restrictive order issued by the U.S. government, thereby allowing the Company to recover profit swiftly along with a promising outlook for future growth in the next year.

III. During the first half of last year, as the Chinese customers demanded a faster expansion of the Suzhou Branch, China, for greater production capacity and as several IDM customers were affected by the overseas pandemic along with the adjustment of the supply chain, the Company decided to swiftly transfer a portion of the testing equipment to the parent company in Taiwan for production. In the third quarter of last year, the Chinese customers decided to suspend the production due to the technology restrictive order issued by the U.S. government, meaning the domestic and overseas idle production capacity required reallocation. In the following fourth quarter, major customers in Taiwan, unexpectedly, increased the production capacity demands for all products significantly. For the first and second half of the year, with regard to the large scale of production capacity adjustment and construction, human resources, training, customer product cross-certifications, etc., for plants in both Taiwan and Suzhou, China, the Company demonstrated exceptional service commitment in collaboration and cooperation with all customers in a short period of time and also achieved remarkable flexibility and efficiency of factory operation. Furthermore, the Company also successfully maintained business growth for the busy and challenging year.

IV. In recent years, the company has gradually implemented the ESG "Environmental Sustainability," "Social Engagement," "Corporate Governance" and "Corporate Commitment" in response to corporate sustainability issues and has been audited by various professional certification bodies on a regular basis. With regard to the ESG report of the Company in 2020, the risk has been reduced from 2019, and the Company will continue to exert effort in the corporate sustainability related aspects in 2021, thereby achieving improvement year after year.

Financial income and profit analysis

Due to constant merging and technology upgrading in the global semiconductor industry, the supply chain gathered up in Taiwan in a rapid speed. The revenue of the Company's top ten customers accounted for more than 60% of total sales in recent years, with an upside growth potential. Therefore, the Company's operating working capital has also expanded alongside rising customer needs for capacity expansion and increasing corporate scale.

Regarding the Company's financial status and profitability in 2020, debt ratio to asset is relatively similar to that in 2019. Long-term funds to fixed assets increased slightly. However, as the customers and production lines of the Company are relatively distributed and the profit earning growth is stable, the cost for obtaining domestic funds is quite reasonable, the Company has a large cash position, good credit and sound financial structure with its use of financial leverage. The current ratio and quick ratio have been higher than those in 2019, and the solvency of the Company is strong. In terms of profitability, the return on assets, return on equity, net profit margin, and after-tax earnings per share are all higher compared to those in 2019. The financial ratios are as follows:

	2020	2019
Ratio of liabilities to assets (%)	52.17	52.43
Long-term funds to fixed assets (%)	131.02	125.03
Current ratio (%)	192.36	175.81
Quick ratio (%)	174.60	158.68
Return on assets (%)	6.77	6.44
Return on equity (%)	13.10	11.99
Net profit margin (%)	12.56	11.91
After-tax earnings per share (NTD)	2.97	2.49

R&D status

With regard to development of the global semiconductor industry, as the technology advances, the nanomanufacturing process continues to move toward and the advanced packaging also heads toward the direction of wafer grade, 3D and heterogenous integration, thereby significantly increasing the complexity of integrated circuits, such as the products of HPC, SoC, SiP and AiP. In addition, to cope with the diverse fields of use in the application aspect, such as auto parts, optical sensor, MEMS, high radio frequency, biological, 5G integrated chips, chips for high/low temperature and chips for high pressure environment, the testing capability in the process of semiconductor manufacturing also becomes more important.

The R&D center of the Company is dedicated in the testing technologies, testing methods, testing quality, problem-solving for testing and testing platform output with extensive efforts. In addition, the Company also assists customers to reduce testing cost, and provides sufficient and flexible production capacity with great performance, thereby achieving outstanding outcome. Over the past years, the Company has self-developed more than one thousand testing units, more than four hundred self-developed burn-in ovens and seven main product lines of self-developed testing platforms. In addition, the Company also continues to engage in extensive own research and development of testing platform interfaces, testing software development, testing cards, testing carriers, handlers and key component parts, etc., and bring all designs and developments into production.

For future research and development, the Company will continue to accelerate the implementation according to the plans updated annually by the R&D Center. With regard to the high-resolution image sensor elements and the capability of high quantity simultaneous testing units, high power and high voltage burn-in oven improvement, testing channel numbers of self-developed E-series of testing platforms, precision of tester power supply (DPS), solution to ultra-high current thermal effect, and the development of MEMS testing equipment for gyroscope, accelerator, tire gauge, flow meter and h magnetometer, hygrometer, etc., the Company will continue to maintain the unique competitive advantages in the integrated circuit testing field and excel further.

Current business plan overview

I. Carefully select numerous order opportunities in the market, establish revenue and profit earning goals to achieve new highs.

II. Further improve all indicators of the operation management of the Company and achieve indicators in practice.

III. Continuously increase machine utilization rate of all testing platform lines, and increase output. In addition, continuously improve the average production value of all production equipment.

IV. Control capital expenditure and investment benefit, thereby increasing the return on equipment of shareholders.

V. Achieve further breakthrough in self-developed equipment and research and development capability, thereby ensuring the long-term leading competitive advantages.

VI. To cope with the impacts of the technology, politics and trade war between the U.S. and China on the global supply chain, the Company aims to gradually adjust the business plan of the parent company in Taiwan and the subsidiary in China.

Future development strategy

The Company will focus on the role of professional service provider in the semiconductor integrated circuit manufacturing process, and continue to seek innovative business models in the semiconductor OEM field. Accordingly, in recent years, the development strategy of the Company generally remained the same and continues to head toward the following aspects and directions.

I. Focus on the fundamental core management indicators of the manufacturing supply chain in order to improve more disciplined and detailed management. With the expansion of product scale, increase the machine utilization rate of all testing platforms.

II. Strengthen the Company’s unique differentiated service capabilities, and reinvest profits in R&D and innovation in order to challenge competitors in the market.

III. Focus on the aspects of customer, profit and growth for business operation, ensure customer satisfaction and continue to create profitability and pursue healthy growth.

IV. Properly maintain existing outstanding customers, increase market share in the outsourcing market, develop new potential customers, and seek IDM outsourcing collaborative orders to achieve joint growth.

V. Cope with the conflict between the two nations of the U.S. and China and the issues related to possible changes of the supply chain, evaluate and gradually adjust the planning of the Company's supply chain in Taiwan and China, thereby responding and mitigating possible changes of the environment in the future.

VI. With an open attitude, we cooperate with semiconductor business operators in strategic cooperation or joint development, so that the Company can quickly gain its position as one of the top semiconductor packaging and testing industries in the world.

The effect of external competition, the legal environment, and the overall business environment

With regard to the global semiconductor industry revenue status, according to the statistics announced on January 14, 2021 by Gartner, the 2020 revenue forecast for the semiconductor industry was USD 449.8 billion, a growth of 7.3% from 2019. Another organization, World Semiconductor Trade Statistics (WSTS) estimated the growth to be 5.1%. For the outlook of 2021, WSTS estimates that the production value is expected to increase by 8.4%, and the other research and survey institutions, IC Insights and Gartner, also expect that the annual increase will be above 10%. The main factors driving such growth are related to the demands for various products, including 5G smartphone components, 5G network communication components, IoT components, CIS, RF components, WiFi6, artificial intelligence learning and data center server (HPC), edge computers, storage memory components, MEMS components, auto electronics/assistance driving system, etc.

With regard to the global economic growth, according to the announcement made by the International Monetary Fund (IMF) on January 26, 2021, the global economy had declined to 3.5% in 2020. However, the forecast for 2021 is expected to show a growth of 5.5%, and the economic growth in China is expected to still reach 8.1%, a profound growth among other countries. Due to the impact of the COVID-19 pandemic and the policy of the U.S. first adopted last year, the global economy has shown the greatest decline since the Great Depression in 1929. The economy in Europe is currently in decline for the second time. For this year, the global economy at its down time is expected to recover after the pandemic. Despite the present capital market performance having indicated signs of economic recovery, the strength of such recovery still needs to be further assessed. The economic output and demand are expected to continue to remain at a level lower than normal for a certain period of time, and the global economic recovery may still be unstable and unbalanced.

In terms of the external competition, the upstream and downstream of the semiconductor industry have been continuously split and merged in the past decade. Presently, a lot of IC product design companies and various terminal hardware product brand companies are now directed by a few giants in the industry. As for semiconductor equipment and materials, the number of participating manufacturers in the market is decreasing significantly. In the field of IC manufacturing and professional OEM, the companies are centralized in Taiwan. In terms of the revenue, Taiwan is ranked No. 2 in the global IC design, No. 1 in global wafer manufacturing and No. 1 in global wafer packaging; therefore, Taiwan semiconductor OEM manufacturing has become the sector essential to world giants with respect to geopolitics. However, with the fast technology integration and development, the growth of the semiconductor testing industry also faces the competition and challenge of the new era. For instance, in terms of the supply chain, based on the consideration of globalization, a lot of countries are planning to establish and expand their local semiconductor supply chain. As for the sales of the Company, the testing orders will face greater competition with wafer manufacturers. For IC products, including extremely small or large chips, integrated chips, systems chips, etc., the testing technologies will focus on how to achieve the testing functions for such products. Regarding the factory production capacity and investment management aspect, the Company will face the challenges of determination on whether the customer demand visibility is short-term and judgement on how to flexibly adjust and allocate production capacity when demands from various sectors suddenly increase at the same time in order to handle such great market fluctuation. In terms of the human resource aspect, the Company will also need to compete talents with the wafer manufacturers. Furthermore, due to the merger among customers, there is also a risk of change of purchase system. In view of the above, the world depends heavily on the semiconductor manufacturing capacity in Taiwan, and the large-scale manufacturers will continue to remain the leaders. Accordingly, the testing industry needs to continue to invest cooperatively such that capital expenditure and post-investment management will also be challenges to the Company.

With regard to the legal and overall business environment aspect, in recent years, due to the restrictive orders on the Chinese technology industry announced by the U.S. government, the future development of the semiconductor industry in China needs to be further monitored. The global antitrust law against the merger or monopoly (oligopoly) market by giant semiconductor enterprises will continue; however, there are no major changes in the laws and regulations in the cross-strait relation between Taiwan and China. At the beginning of 2021, in terms of the overall economy, the global economy has indicated gradual recovery from the bottom. The U.S. is expected to return to the multilateral economic and trade cooperation in order to promote economic growth. To achieve economic recovery, governments of all countries are also expanding their financial deficits and currency supply, and the modern monetary theory is widely adopted. For this year, the overall economy will still be under the environment of low inflation, low interest rates, low economic growth, relatively high unemployment rate, high debt, loose monetary policy and expansionary fiscal policy.

Looking forward to the new year, the two giants of the U.S. and China will continue to compete in the fields of politics, foreign affairs, military and technology. However, in terms of the economy and trade field, it is expected to reach a certain level of relaxation and coopetition. After vaccination, mitigation of the pandemic and the end of financial aids, real damages to enterprises may emerge; therefore, the speed of economic recovery cannot be determined easily at the present time but may become more apparent at the end of the year. Nevertheless, presently, it can be certain that the demands for the semiconductor industry have started to indicate significant increase in the sectors of high performance computing (HPC), artificial intelligence (AI), data center, 5th generation (5G) communication mobile phones and network communication equipment connectors, artificial intelligence of things (AIoT), auto electronics (ADAS), etc. For the post-pandemic era, as the corporate operation and personal living and consumer style are transforming to become more reliable to digital technology, the global manufacturing demand for the semiconductor industry will certainly continue to remain strong. The situation of tight production capacity for the semiconductor packaging and testing industry still cannot be determined precisely for the time being and may become more apparent in the fourth quarter of the year. The Company is optimistic of great business opportunities from numerous customers and will continue to perform investment with due care. In addition, the Company will rigorously handle the challenges in the new stage of the semiconductor testing industry, and continue to contribute efforts in achieving new records in the Company’s revenue and earnings.

Chairman: Chin-Kung Lee

President: An-Hsuan Liu

One. Company profile

I. Date of incorporation: May 28, 1987

II. Corporate history:

1987	May	Incorporated at No. 15, Lane 576, Sec. 1, Guangfu Rd., Hsinchu City officially, with the authorized capital in the amount of NT$7 million and paid-in capital in the amount of NT$7 million.
1990	February	Capital increase by NT$2.5 million in cash and the Company's capital increased to NT$9.5 million.
1994	July	Capital increase by NT$11 million in cash and the Company's capital increased to NT$20.5 million.
1995	October	Capital increase by NT$9.5 million in cash and the Company's capital increased to NT$30 million.
1996	July	Added logical reasoning test operations.
	September	Capital increase by NT$20 million in cash and the Company's capital increased to NT$50 million.
1997	May	Capital increase by NT$40 million in cash and the Company's capital increased to NT$90 million.
	July	Added memory test operations.
	September	Capital increase by NT$80 million in cash and the Company's capital increased to NT$170 million.
	December	Received ISO9002 certification.
1998	January	Completed the construction of Zhao-Nan Factory and started mass production.
	February	Capital increase by NT$180 million in cash and the Company's capital increased to NT$350 million.
	August	Capital increase by NT$199.75 million in cash and by recapitalization of retained earnings, and the Company's capital increased to NT$549.75 million.
	September	Capital increase by NT$100.25 million by recapitalization of capital surplus, and the Company's capital increased to NT$650 million.
	December	Capital increase by NT$50 million in cash and the Company's capital increased to NT$700 million.
1999	March	Commenced the construction of KYEC Headquarters on Gongdaowu Rd., Hsinchu City.
	May	Approved to engage in the public offering of stock by Securities and Futures Bureau, Ministry of Finance, and also reported to TWSE for the pre-listing tutoring.
	July	Capital increase by NT$293.75 million in cash and by recapitalization of retained earnings and capital surplus, and the Company's capital increased to NT$993.75 million.
	August	Established Optoelectronic Products Division, and adjusted the organization.
	October	Acquired a lot of land on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	December	Capital increase by NT$250 million in cash and the Company's capital increased to

		NT$1.24375 billion.
2000	March	Commenced the construction of Chunghua 1st Factory.
	July	Capital increase by NT$1.38850446 billion in cash and by recapitalization of retained earnings and capital surplus, and the Company's capital increased to NT$2.63225446 billion.
		Completed the construction of KYEC Headquarters and officially opened the Headquarters.
	December	The application for listing of stock was approved by TWSE.
2001	January	The listing of stock was approved by Securities and Futures Bureau, Ministry of Finance.
	March	Completed the construction of Chunghua 1st Factory and activated the Factory officially.
	May	Traded stock on TWSE officially.
	July	Capital increase by NT$1.73446768 billion by recapitalization of capital surplus, the Company's capital increased to NT$4.36672214 billion.
	August	Passed the ISO9000, TL9000 and QS9000 certification.
	October	Established the branch company in Chu-Nan Township.
2002	April	Issued the overseas convertible bonds in the amount of US$120 million.
	December	The special shareholders' meeting passed the motion for private placement and re-election of one director, and SPIL occupied one seat of director accordingly.
2003	February	Passed ISO14001 for environmental management certification and OHSAS18001 for occupational safety and health management certification.
		Completed the motion for private placement, and the Company's capital increased to NT$5.56871604 billion.
2004	January	Issued the overseas convertible bonds in the amount of US$100 million.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$7.54955164 billion.
2005	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$9.07897897 billion.
	December	Commenced the construction of Chunghua 2nd Factory.
2006	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$10.89670967 billion.
		Completed the construction of Chunghua 2nd Factory.
2007	April	Commenced the construction of Chunghua 3rd Factory.
		Acquired a lot of land occupied an area of 5,588 square meters on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to

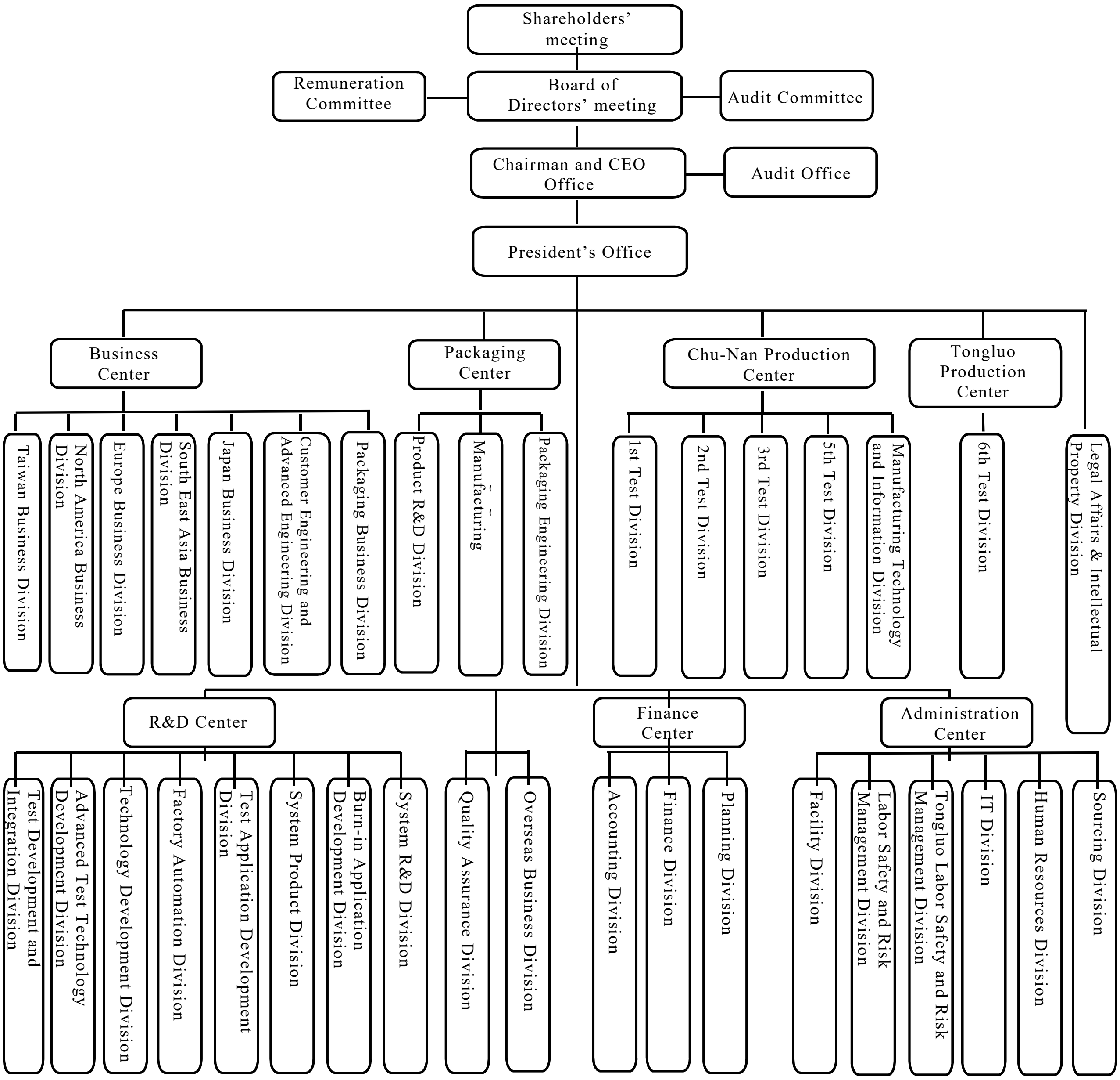
		NT$12.14696675 billion.
	December	Passed ISO14064 for international GHG management accreditation.
		Completed the construction of Chunghua 3rd Factory.
2008	February	Commenced the construction of Chunghua 4th Factory.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$12.80854009 billion.
	September	Completed the construction of Chunghua 4th Factory.
	November	Passed OHSAS18001:2007 for revision certification.
		Passed TOSHMS certification.
2009	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$12.59735576 billion.
	December	Passed ISO14001, OHSAS18001 and TOSHMS for annual follow-up audit.
2010	October	Issued the overseas convertible bonds in the amount of US$40 million.
	December	Passed ISO14001/OHSAS18001/TOSHMS for annual follow-up audit.
2011	October	Honored as the excellent factory for cleaner production in TSMC Center-Satellite system.
2012	December	Passed TOHMAS for conversion into CNS15506:2011.
		Chunghua Factories passed the AEO safety accreditation.
2013	February	Commenced the construction of Tong-luo Factory for Stage 1.
	February	Completed the construction of Tong-luo Factory for Stage 1.
2014	December	Commenced the construction of Tong-luo Factory for Stage 2.
2015	December	Chu-Nan Factory was honored as the excellent entity for “Low Carbon Action Award” conferred by Environmental Protection Administration, Executive Yuan.
2016	January	Completed the construction of Tong-luo Factory for Stage 2.
	April	Tong-luo Factory for Stage 1 received the “Green Building-Bronze Medal” awarded by Ministry of Interior.
	July	Issued the overseas convertible bonds in the amount of US$50 million.
		Purchased green power and awarded the “2016 Green Power Logo” by Ministry of Economic Affairs.
	October	Tong-luo Factory received the “Green Power Factory Label” awarded by Industrial Development Bureau, Ministry of Economic Affairs.
	November	Received the excellence award for the “2015 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.
		Chu-Nan Factory passed ISO50001 for energy management accreditation.
2017	September	Purchased green power and awarded the “Green Power Logo” by Bureau of Energy, Ministry of Economic Affairs.
	November	Honored as the excellent entity for “2016 Green Procurement” awarded by Environmental Protection Administration, Executive Yuan. Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
	December	Received the excellence award for the “2016 Green Procurement

		Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.
		Tong-luo Factory passed ISO50001 for energy management accreditation.
2018	November	Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
	December	Received the excellence award for the “2017 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.
2019	November	Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park. Honored as the excellent entity for “2018 Green Procurement” awarded by Environmental Protection Administration, Executive Yuan.
	December	Received the excellence award for the “2018Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.
2020	September	Honored as the excellent entity for “2019 Green Procurement” awarded by the Environmental Protection Administration, Executive Yuan.
	November	Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park. Received the excellence award for the “2019 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government
	December	Passed OHSAS18001 for conversion into ISO45001:2018. Passed CNS15506 for conversion into CNS45001:2018. Passed ISO22301:2019 business continuity management system.

Two. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Departmental Business Operations

Chairman and CEO Office	Responsible for the decision making of the Group's overall operations.
President's Office	Establish the Company's business objectives and strategies, take charge of the Company's business plans and annual business policy, establish the Company's quality policy, and communicate, coordinate with and supervise the Company's departments/divisions.
Audit Office	Responsible for setting up the Company's internal control system, formulating and implementing the annual audit plan, preparing an audit report after it has conducted an audit, reporting audit deficiencies and anomalies, follow-up and improvement, and regularly report audits to the independent directors and the audit committee, the reports of which are then submitted to the board of directors.
Business Center (Including Taiwan Business Division, North America Business Division, Europe Business Division, South East Asia Business Division, Japan Business Division and Customer Engineering and Advanced Technology Engineering Division, Packaging Business Division)	Responsible for verifying the market condition, planning the merchandising in domestic/overseas markets, concluding sales contracts, providing forecasts to ensure delivery conditions which ensure the satisfaction of the production schedule with customers' demand, and proceeding with annual marketing plans and customized engineering solutions and new product introduction services, etc.
Chu-Nan Production Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 1	Provide diversified Wafer and CIS IC testing service; develop and introduce testing technology; control production to achieve shipment demand; provide customers with excellent testing environment and fair testing quality.
Test Division 2	Responsible for such processing operations as wafer fabrication, grinding, cutting, selection and testing; control the production, delivery date and quality required under purchase orders; improve production technology, and establish standard operating procedures; assess, introduce and maintain production equipment, jigs, knives and measuring tools.
Test Division 3	Responsible for supervising and assessing logical reasoning

	test and mixed signal test of finished IC goods; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
Test Division 5	Provide tests of finished IC goods and burn-in services: Responsible for supervising and assessing the achievements of the department's performance; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test and burn-in technology development and introduction; control product quality.
Manufacturing Technology and Information Division	Plan, design and develop the automation equipment and manufacturing management information systems required by various business divisions' production process, and provide any support required by the production process to upgrade the output.
Tongluo Production Center	Establish and execute the business plans of Tongluo Factory to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 6	Provide customers with chips and IC test services; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
R&D Center	Plan and execute R&D strategies, integrate and control R&D resources, integrate cross-group R&D projects, and lead the key R&D programs.
Test Development and Integration Division	Evaluation, development, and mass production of new products for image sensors of new customers. Development and integration of new testing technology for image sensors and test applications for proprietary test machines; provide customers with comprehensive test solutions, mass production service, and assist in the resolution of engineering problems on the production line.
Advanced Test Technology Development Division	Take charge of PCB design, manufacturing and stimulation technology, development and research of new test technology, develop system diagnostic technology, produce the automatic test programs and develop conversion systems, and design and manufacture new test machine interfaces.
Factory Automation Division	Creation and implementation of test environment; research and development of technologies needed to produce key

	components and perform specialized tests.
Test Application Development Division	Applying self-manufactured test equipment to provide customers with comprehensive IC test solutions. Planning and designing a customized test environment for differentiated test services to match with special test conditions.
System Product Division	Self-make test machines, produce and maintain Burn-in Oven and the development platform for mass production of parts to improve the stability of production lines.
Burn-in Application Development Division	Applying the self-developed burn-in machine to design customized systems and programs based on customer specifications and provide a comprehensive and high-quality burn-in process.
System R&D Division	Research and development of self-made test machines and high-power burn-in machine system/equipment, and focus on the functional expansion/upgrade of self-made test machines.
Technology Development Division	Responsible for the planning, design, production and development of automated equipment needed to support production activities of various business divisions; provide support and output enhancement for the production process.
Administration Center	Integrate the Group's administrative resources and support the Group's operation to seek maximum interest for the Company at the lowest cost.
Facility Division	Responsible for factory layout, facility planning and construction as well as operation and maintenance of system.
Labor Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations.
Tongluo Labor Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations at Tongluo Factory premises.
IT Division	Responsible for planning, implementing, reviewing and improving the Company's information system, and maintaining, safeguarding and supervising information systems.
Human Resources Division	Responsible for establishing, reviewing and revising the Company's HR development plans.
Sourcing Division	Responsible for procuring raw materials and supplies and equipment, warehousing & logistics and import and export management, and bonding for the Company.
Quality Assurance Division	Coordinate the product quality upgrading, establish quality strategies, improve quality systems, control company documentation, conduct quality activities, serve as an analysis and calibration laboratory for equipment and

	instruments, and manage supplier quality.
Finance Center	Formulate financial strategies for the Company and the Group, plan related affairs such as finance, accounting, investment, corporate governance, corporate communication, and maintain relationships with the media.
Planning Division	Responsible for relationship management and communication with institutional investors, media relations, public affairs and coordination of cross-department projects.
Accounting Division	Comprehensive management of the Company's tax planning, budgeting, account settlement, customer credit management, fixed asset management and operations and cost analysis.
Finance Division	Responsible for matters including comprehensive management of the Company's stock affairs and corporate governance, working capital finance and schedules, and financial risk management.
Legal Affairs & Intellectual Property Division	Oversees legal affairs, including management of contractual arrangements, patents and other intellectual property rights, litigations etc.
Overseas Business Division	A unit prepared to assign overseas employees.
Packaging Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Product R&D Division	Responsible for the development and implementation of new packaging machinery, development of new products/technologies, layout design and assessment/introduction of new suppliers.
Packaging Manufacturing Division	Plan, execute and monitor progress of the production schedule; develop standardized operating guidelines and operational environment needed to deliver excellent and timely packaging service; responsible for improving production efficiency and supervising accomplishment of performance targets.
Packaging Engineering Division	Responsible for the planning, assessment and implementation of new packaging process and equipment purchase; responsible for making improvements to packaging yield, output, production process and use of materials to deliver customers' requirements toward the quality of packaging service.

II. Information on Directors, Presidents, Vice Presidents, and managers of each department and division

(I) Information on Directors

2021.04.11

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shares held at election		Shares currently held (Note 2)		Shareholdings of spouse and underage children		Shareholdings under another		Experience (Education)	Concurrent positions in the Company and in other companies	Spouse or relatives of the second degree or closer acting as directors or department heads			Remarks
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship	
Chairman	ROC	Chin-Kung Lee	Male	2020.06.10	3	1996.09.25	34,000,941	2.78	34,000,941	2.78	4,263,053	0.35	0	0	Bachelor President of KYEC	CEO KYEC Investment International Co., Ltd. Chairman KYEC Technology Management Co., Ltd. Chairman Chairman of KYEC Microelectronics Co., Ltd. Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Chairman of King Ding Precision Incorporated Company	N/A	N/A	N/A	Note 3
Vice-Chairman	ROC	Chi-Chun Hsieh	Male	2020.06.10	3	1999.04.20	5,552,037	0.45	5,552,037	0.45	567,120	0.05	0	0	Bachelor	Physician & Director of Xiang An Clinic	N/A	N/A	N/A	N/A
Director	ROC	An-Hsuan Liu	Male	2020.06.10	3	2014.06.12	1,200,000	0.10	1,100,000	0.09	0	0	0	0	PhD President of Intematix Technology Center Corporation	President Chairman of KYEC USA Corp. Chairman of KYEC SINGAPORE PTE. LTD. Director & President of King Long Technology (Suzhou) Ltd. Director & President of Suzhou Zhen Kun Technology	N/A	N/A	N/A	N/A
Director	ROC	Kao-Yu Liu	Male	2020.06.10	3	2011.06.15	4,808,267	0.39	4,808,267	0.39	1,506,766	0.12	0	0	PhD	Chairman of LC Architecture Realization Company, Inc. Chairman of Ji-Ze Construction Development Co., Ltd.	Director	Kuan-Hua Chen	Brother in law	N/A

Director	ROC	Kuan-Hua Chen	Male	2020.06.10	3	2008.06.13	3,168,574	0.26	3,168,574	0.26	1,173,496	0.10	0	0	Master's in Financial Engineering, Carnegie Mellon University	Director of Weikeng Industrial Co., Ltd.	Director	Kao-Yu Liu	Spouse's brother	N/A
Director	ROC	Yann Yuan Investment Co., Ltd.	-	2020.06.10	3	2017.06.08	52,600,000	4.30	52,600,000	4.30	0	0	0	0	-	-	N/A	N/A	N/A	N/A
		Representative: Chao-Jung Tsai	Male	2020.06.10	3	2017.06.08	0	0	0	0	0	0	0	0	Master CPA Director of ChipMOS Technologies Inc. President of SPIL Investment Co., Ltd.	President of Yann Yuan Investment Co., Ltd. Director of Acufit Enterprise Co., Ltd.	N/A	N/A	N/A	N/A
Independent director	ROC	Hui-Chun Hsu	Male	2020.06.10	3	2014.06.12	0	0	0	0	0	0	0	0	Master Director of New Taipei City Medical Association	Member of the Audit Committee and Remuneration Committee of KYEC Physician and Managing Supervisor of New Taipei City Medical Association	N/A	N/A	N/A	N/A
Independent director	ROC	Dar-Yeh Hwang	Male	2020.06.10	3	2017.06.08	0	0	0	0	0	0	0	0	PhD Professor of Department of Finance, National Taiwan University Director of Center for the Study of Banking and Finance, National Taiwan University Chair of both Department and Institute of Finance, National Taiwan University	Member of the Audit Committee and Remuneration Committee of KYEC Chairman of McBorter AFMA Chairman of Academy of Promoting Economic Legislation (APEL)	N/A	N/A	N/A	N/A

Independent director	ROC	Xiu-Ming Wang	Male	2020.06.10	3	2020.06.10	10,000	0.00	10,000	0.00	0	0	0	0	Bachelor Vice President of KYEC President of NexPower Technology CORP. Director of Cheng Uei Precision Industry Co., Ltd. Supervisor of Glory Science Co., Ltd.	Member of the Audit Committee and Remuneration Committee of KYEC Chairman of Mingxing Creative Management Consultations Inc. Chairman of Mingxiang Culture Co., Ltd. Independent Director of Creative Sensor Inc. Supervisor of Kuokuang Power Plant Co., Ltd. Juridical person representative of FIT Holding Co., Ltd. Director of the Taiwan Electrical and Electronic Manufacturers Association	N/A	N/A	N/A	N/A

Note 1: An election was conducted for the 14th board of directors at the Annual General Meeting held on June 10, 2020. Xiu-Ming Wang was elected as the new independent director.

Note 2: Calculated based on the outstanding common stock on the date of suspension of stock transfer by the general shareholders' meeting.

Note 3: Where the Chairman and President of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures (such as adding independent directors, and more than half of the directors not serving as concurrent employees or managers of another company, etc.) adopted in response thereto:

In order to enhance operating efficiency and decision execution, the Company's chairman also serves as the CEO. In addition, the chairman also closely communicates with the Company's directors on business operations, and formulates policies to implement corporate governance. In the future, depending on the development situations, the Company also plans on eliminating the chairman of the board of directors from serving as the CEO or adding independent directors to enhance the functions of the board of directors and strengthen supervision. Currently, the Company has also set up the following specific measures:

1. The current three independent directors are specialized in fields such as finance and the semiconductor industry in order to achieve effective supervision.
2. Each director is encouraged to take part in professional courses of external organizations such as the Securities and Futures Institute on an annual basis, in the aim of improving the operational efficiency of the board of directors.
3. Independent directors can fully discuss and make suggestions for the board of directors in each functional committee in order to implement corporate governance.
4. More than half of the directors did not serve as concurrent employees or managers of another company.

1-1 The Company's directors are the major shareholders of corporate shareholders

2021.04.11

Name of the corporate shareholder	Major shareholders of corporate shareholders (Note)
Yann Yuan Investment Co., Ltd.	SPIL Investment Co., Ltd. (32.21%), United Microelectronics Corporation (30.87%), King Yuan Electronics Co., Ltd. (16.78%), Unimicron Technology Corp. (13.42%), Sigurd Microelectronics Corporation (4.03%)

Note: The major shareholders refer to the shareholders who hold more than 10% of the Company's shares or the Company's 10 largest shareholders.

1-2 Major shareholders of corporate shareholders are major shareholders of legal persons

Major shareholders of corporate shareholders	Major shareholders of corporate shareholders (Note)
SPIL Investment Co., Ltd.	Siliconware Precision Industries Co., Ltd. (100%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs (5.63%), Hsun Chieh Investment Corporation (3.61%), Nan Shan Life Insurance Company(2.60%), Silicon Integrated Systems Corporation (2.33%), Yann Yuan Investment Co., Ltd. (1.64%), New Labor Pension Fund (1.60%), Cathay Life Insurance Company, Ltd. (1.54%), JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.46%), Prudential Assurance Company Ltd. (1.24%), PMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool (1.15%).
King Yuan Electronics Co., Ltd.	Yann Yuan Investment Co., Ltd. (4.30%), Nan Shan Life Insurance Company, Ltd.(4.02%), Yuanta/P-shares Taiwan Dividend Plus ETF(3.40%), Fubon Life Insurance Co., Ltd. (3.02%), China Life Insurance Co., Ltd.(2.78%), Chin-Kung Lee (2.78%), New Labor Pension Fund (2.49%), United Microelectronics Corporation (1.89%), Norges Bank(1.40%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.29%),
Unimicron Technology Corp.	United Microelectronics Corporation (13.03%), New Labor Pension Fund (4.77%), Old Labor Pension Fund (2.74%), HSBC Bank in Custody for Morgan Stanley & Co. International Plc Account (2.58%), Yann Yuan Investment Co., Ltd. (1.99%), Bank of Taiwan in Custody for SmallCap World Fund Inc. Investment Account (1.98%), Citibank Hosting Norwegian Central Bank Investment Account (1.65%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.46%), Public Service Pension Fund Management Board (1.39%), Citibank Hosting UBS Europe SE Investment Account (1.18%).
Sigurd Microelectronics Corporation	Yann Yuan Investment Co., Ltd. (4.29%), Robeco Capital Growth Funds in the custody of JP Morgan Chase Bank, N.A., Taipei Branch(3.21%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (2.04%), Investment Account of the Central Bank of Norway in the custody of Citibank (Taiwan) (2.01%), Hsing-Yang Huang (1.71%), LSV Emerging Market Stock Fund Limited Partnerships in the custody of Bank of Taiwan (1.70%), Ming-Chun Chiu (1.37%), Vanguard Total International Stock Index Fund, a series

	of Vanguard Star Funds in the custody of JP Morgan Chase Bank, N.A., Taipei Branch(1.27%), Emerging Market Core Portfolio Investment Account of DFA Multiple Investment Group in the custody of Citibank (Taiwan) (1.12%), Dimensional Emerging Markets Value Fund (1.10%).

Note: The latest information disclosed by various companies on the company website or MOPS.

(II) Professional qualifications and independence of directors

Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)												Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to operations of the Company in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to operations of the Company	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Chin-Kung Lee	-	-	✓	-	-	-	-	✓	-	-	✓	✓	✓	✓	✓	1
Chi-Chun Hsieh	-	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
An-Hsuan Liu	-	-	✓	-	-	✓	-	✓	-	-	✓	✓	✓	✓	✓	0
Kao-Yu Liu	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	0
Kuan-Hua Chen	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	0
Yann Yuan Investment Co., Ltd.	-	-	NA	NA	✓	NA	NA	-	✓	✓	✓	NA	NA	✓	-	0
Representative: Chao-Jung Tsai	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	0
Hui-Chun Hsu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Dar-Yeh Hwang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Xiu-Ming Wang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: A "✓" is marked in the space beneath a condition number when a director and supervisor has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

(1) Not an employee of the company or an affiliate.

(2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.

(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director

appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) Not a majority of the Company’s director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution who is the same person or spouse: a director (or governor), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the public company, or an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NTD 500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the
Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Is not the spouse or relative within the second degree of kinship of another director.

(11) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

(12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

(II) Information on Presidents, Vice Presidents, Assistant Vice Presidents, and managers of each department and division

2021.04.11

Title	Nationality	Name	Gender	Date on-board	Shareholding		Shareholdings of spouse and underage children		Shareholdings under another		Experience (Education)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship			Remarks
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship	
CEO	ROC	Chin-Kung Lee	Male	2011.11.28	34,000,941	2.78	4,263,053	0.35	0	0	Bachelor President of KYEC	Chairman of KYEC Investment International Co., Ltd. Chairman of KYEC Technology Management Co., Ltd. Chairman of KYEC Microelectronics Co., Ltd. Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Chairman of King Ding Precision Incorporated Company	N/A	N/A	N/A	Note 2

President	ROC	An-Hsuan Liu	Male	2012.03.01	1,100,000	0.09	0	0	0	0	PhD President of Intematix Technology Center Corporation	Chairman of KYEC USA Corp. Chairman of KYEC SINGAPORE PTE. LTD. Director & President of King Long Technology (Suzhou) Ltd. Director & President of Suzhou Zhen Kun Technology	N/A	N/A	N/A	N/A
Executive Vice President	ROC	Gauss Chang	Male	2006.04.25	3,051,294	0.25	146,981	0.01	0	0	Master Senior Vice President of KYEC	Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd.	N/A	N/A	N/A	N/A
Senior Vice President	ROC	K.K Lee	Male	2008.11.03	4,669,000	0.38	108,000	0.01	0	0	Bachelor Vice President of KYEC	Supervisor of Suzhou Zhen Kun Technology Ltd. Director of Fixwell Technology Corp. Director of King Ding Precision Incorporated Company	N/A	N/A	N/A	N/A
Senior Vice President	ROC	Steven Chang	Male	2011.11.28	1,046,182	0.09	0	0	0	0	Master Vice President of KYEC	Supervisor of Fixwell Technology Corp. Director of King Ding Precision Incorporated Company	N/A	N/A	N/A	N/A

Vice President	ROC	Andy Liang	Male	2015.11.01	531,936	0.04	0	0	0	0	Master Senior Division Chief of KYEC	-	N/A	N/A	N/A	N/A
Vice President	ROC	Hans Han	Male	2020.10.30	40,000	0.00	0	0	0	0	Master Assistant Vice President of KYEC	-	N/A	N/A	N/A	N/A
Vice President and CFO	ROC	Logan Chao	Male	2016.03.02	139,740	0.01	72,214	0.01	0	0	Master Assistant Vice President of KYEC	Supervisor of KYEC Japan K.K. Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Ding Precision Incorporated Company Director of Yann Yuan Investment Co., Ltd.	N/A	N/A	N/A	N/A
Assistant Vice President	ROC	Wendy Chen	Female	2016.12.05	0	0	0	0	0	0	Master Senior Division Chief of KYEC	-	N/A	N/A	N/A	N/A
Assistant Vice President	ROC	Jeff Hsu	Male	2018.11.06	0	0	20,000	0.00	0	0	Bachelor Senior Division Chief of KYEC	-	N/A	N/A	N/A	N/A
Assistant Vice President (Note 1)	ROC	Chung-Wen Wang	Male	2018.11.06	-	-	-	-	-	-	-	-	-	-	-	-

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

Note 1: Resigned on October 31, 2020.

Note 2: Where the chairman and president or person of an equivalent post (the highest-level manager) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures (such as adding independent directors, and more than half of the directors not serving as concurrent employees or managers of another company, etc.) adopted in response thereto:

In order to enhance operating efficiency and decision execution, the Company's chairman also serves as the CEO. In addition, the chairman also closely communicates with the Company's directors on business operations, and formulates policies to implement corporate governance. In the future, depending on the development situations, the Company also plans on eliminating the chairman of the board of directors from serving as the CEO or adding independent directors to enhance the functions of the board of directors and strengthen supervision. Currently, the Company has also set up the following specific measures:

1. The current three independent directors are specialized in fields such as finance and the semiconductor industry in order to achieve effective supervision.
2. Each director is encouraged to take part in professional courses of external organizations such as the Securities and Futures Institute on an annual basis, in the aim of improving the operational efficiency of the board of directors.
3. Independent directors can fully discuss and make suggestions for the board of directors in each functional committee in order to implement corporate governance.
4. More than half of the directors did not serve as concurrent employees or managers of another company.

III. Remuneration to Directors, Presidents and Vice Presidents of the Company in the most recent year

(I) Remuneration to Directors and Independent Directors in 2020

Unit: NTD thousand

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration to directors</th><th colspan="2" rowspan="2">The sum of A, B, C and D to Earnings after Tax (%)</th><th colspan="8">Remuneration from concurrently servings as employees</th><th colspan="2" rowspan="2">The sum of A, B, C, D, E, F, and G to Earnings after Tax (%)</th><th rowspan="2">Remuneration from invested non-subsidiary enterprise(s) or the parent company</th></tr>
<tr><th colspan="2">Remuneration (A)</th><th colspan="2">Pension upon retirement (B)</th><th colspan="2">Remuneration to directors (C)</th><th colspan="2">Service Expenses (D)</th><th colspan="2">Salaries, bonuses, special allowances etc. (E)</th><th colspan="2">Pension upon retirement (F)</th><th colspan="4">Remuneration to employees (G) (Note)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th colspan="2">The Company</th><th colspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2"></th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Chin-Kung Lee</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">25,475</td><td rowspan="6">25,475</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0.7005</td><td rowspan="6">0.7005</td><td rowspan="6">16,444</td><td rowspan="6">18,072</td><td rowspan="6">108</td><td rowspan="6">108</td><td rowspan="6">15,000</td><td rowspan="6">0</td><td rowspan="6">15,000</td><td rowspan="6">0</td><td rowspan="6">1.5681</td><td rowspan="6">1.6129</td><td rowspan="6">N/A</td></tr>
<tr><td>Vice-Chairman</td><td>Chi-Chun Hsieh</td></tr>
<tr><td>Director</td><td>An-Hsuan Liu</td></tr>
<tr><td>Director</td><td>Kao-Yu Liu</td></tr>
<tr><td>Director</td><td>Kuan-Hua Chen</td></tr>
<tr><td>Director</td><td>Yann Yuan Investment Co., Ltd. Representative: Chao-Jung Tsai</td></tr>
<tr><td>Independent director</td><td>Hui-Chun Hsu</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">12,737</td><td rowspan="3">12,737</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0.3502</td><td rowspan="3">0.3502</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0.3502</td><td rowspan="3">0.3502</td><td rowspan="3">N/A</td></tr>
<tr><td>Independent director</td><td>Dar-Yeh Hwang</td></tr>
<tr><td>Independent director</td><td>Xiu-Ming Wang</td></tr>
</table>

Independent director	Hsien-Tsun Yang																					

1. Please describe the remuneration policy, system, standards, and structure for independent directors, and the linkage of factors such as duties, risks, and period of service to the amount of remuneration:

   The remuneration to all directors is handled as stipulated in Articles 16 and 19 of the Company's Articles of Incorporation. However, currently the remuneration to directors is distributed only in accordance with provisions of Article 19. In the future, the Company's board of directors will resolve whether or not to pay remuneration to directors in accordance with Article 16 depending on the development of operations. Currently the total amount of remuneration to directors (independent directors) shall not exceed 1 percent of the current year's profit as stipulated in Article 19 of the Company's Articles of Incorporation. The distribution shall be handled equally among each director as suggested by the remuneration committee, and their remuneration standard may be adjusted in accordance with the Company's operating performance.

2. Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g. as an advisor other than employee in the most recent year: N/A.

Note: Proposed allocated amount.

Breakdown of remuneration to directors (NT$)	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The Company	Companies included into the financial statement (H)	The Company	Companies included into the financial statement (I)
Below $1,000,000	-	-	-	-
$1,000,000(inclusive) – $2,000,000(exclusive)	Hsien-Tsun Yang	Hsien-Tsun Yang	Hsien-Tsun Yang	Hsien-Tsun Yang
$2,000,000(inclusive) – $3,500,000(exclusive)	Xiu-Ming Wang	Xiu-Ming Wang	Xiu-Ming Wang	Xiu-Ming Wang
$3,500,000(inclusive) – $5,000,000(exclusive)	General directors: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai Independent directors: Hui-Chun Hsu, Dar-Yeh Hwang,	General directors: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai Independent directors: Hui-Chun Hsu, Dar-Yeh Hwang,	General directors: Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai Independent directors: Hui-Chun Hsu, Dar-Yeh Hwang,	General directors: Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai Independent directors: Hui-Chun Hsu, Dar-Yeh Hwang,
$5,000,000(inclusive)–$10,000,000(exclusive)	-	-	-	-
$10,000,000(inclusive)–$15,000,000(exclusive)	-	-	-	-
$15,000,000(inclusive)–$30,000,000(exclusive)	-	-	General directors: Chin-Kung Lee, An-Hsuan Liu	General directors: Chin-Kung Lee, An-Hsuan Liu
$30,000,000(inclusive)–$50,000,000(exclusive)	-	-	-	-
$50,000,000(inclusive)–$100,000,000(exclusive)	-	-	-	-
Over $100,000,000	-	-	-	-
Total	10	10	10	10

(II) Remuneration to President, and Vice Presidents

Unit: NTD thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonus and special allowances (C)		Employee remuneration (D) (Note 1)				The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from invested non-subsidiary enterprise(s) or the parent company
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash	Stock	Cash	Stock			
CEO	Chin-Kung Lee	30,689	32,317	756	756	9,972	9,972	40,935	0	40,935	0	2.2645	2.3093	N/A
President	An-Hsuan Liu													
Executive Vice President	Gauss Chang													
Senior Vice President	K.K Lee													
Senior Vice President	Steven Chang													
Vice President	Andy Liang													
Vice President	Hans Han													
Vice President and CFO	Logan Chao													

Note 1: Proposed allocated amount.

Breakdown of remuneration to president and vice presidents(NT$)	President and vice presidents	
	The Company	Companies included into the financial statement
Below $ 1,000,000	-	-
$ 1,000,000 (inclusive) – $ 2,000,000 (exclusive)	-	-
$ 2,000,000 (inclusive) – $ 3,500,000 (exclusive)	-	-
$ 3,500,000 (inclusive) – $ 5,000,000 (exclusive)	-	-
$ 5,000,000 (inclusive) – $ 10,000,000 (exclusive)	Andy Liang, Hans Han, Logan Chao	Andy Liang, Hans Han, Logan Chao
$ 10,000,000 (inclusive) – $ 15,000,000 (exclusive)	Gauss Chang, K.K Lee, Steven Chang,	Gauss Chang, K.K Lee, Steven Chang,
$ 15,000,000 (inclusive) – $ 30,000,000 (exclusive)	Chin-Kung Lee, An-Hsuan Liu	Chin-Kung Lee, An-Hsuan Liu
$ 30,000,000 (inclusive) – $ 50,000,000 (exclusive)	-	-
$ 50,000,000 (inclusive) – $ 100,000,000 (exclusive)	-	-
Over $ 100,000,000	-	-
Total	8	8

(III) Names of managers entitled to employee remuneration and amount entitled to

Unit: NTD thousand

	Title	Name	Stock	Cash (Note)	Total	The sum as percentage of earnings after tax (%)
Managers	CEO	Chin-Kung Lee	0	46,877	46,877	1.2890
	President	An-Hsuan Liu				
	Executive Vice President	Gauss Chang				
	Senior Vice President	K.K Lee				
	Senior Vice President	Steven Chang				
	Vice President	Andy Liang				
	Vice President	Hans Han				
	Vice President and CFO	Logan Chao				
	Assistant Vice President	Wendy Chen				
	Assistant Vice President	Jeff Hsu				
	Assistant Vice President (Note 1)	Chung-Wen Wang				
	Corporate Governance Officer	Neil Chung				

Note: Proposed allocated amount.
Note 1: Resigned on October 31, 2020.

(IV) Amount of remuneration paid in the last two years by the Company and all companies included in the consolidated financial statements to the Company's directors, president, and vice presidents, and their respective proportions to separate and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Analysis on the respective proportions of the amount of remuneration paid in the last two years by the Company and all companies included in the consolidated financial statements to the Company's directors, president, and vice president to the net income:

Unit: NTD thousand

Year	2020				2019			
	Total remuneration		The sum as a percentage of earnings after tax (%)		Total remuneration		The sum as a percentage of earnings after tax (%)	
Title	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Director	69,764	71,392	1.9184	1.9631	61,204	62,806	2.0123	2.0649
President and vice presidents	82,352	83,980	2.2645	2.3093	68,096	69,697	2.2388	2.2915

Note: The remuneration to employees means the amount proposed to be allocated.

2. Remuneration policies, standards and packages, procedures for determining remuneration and its linkage to operating performance and future risk exposure:

For the remuneration of the Company's directions (including independent directors), subject to the profit sought for the current year, the Company shall allocate no more than 1% of the profit as the remuneration to directors according to the Company's Articles of Incorporation. However, profits must first be taken to offset against cumulative losses if any. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as directors' compensation, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. According to the Company's Articles of Incorporation, the remunerations to all directors (including independent directors) shall be commensurate with their level of participation and value of contribution to the operation of the Company with reference to industry standard, and shall be determined by the board of directors under authorization. Accordance with the regulations of the Company's Charter for the Remuneration Committee, the remuneration to directors (including independent directors) shall require the approval of one-half or more of all Remuneration Committee members, and furthermore shall be submitted for a resolution by the board of directors.

The remuneration to the Company's managerial personnel shall be handled in accordance with the Company Act and the Company's Charter for the Remuneration Committee, as required by the Company's Articles of Incorporation. Besides referring to the overall business performance of the Company, the position of all managerial personnel, the contribution to the Company's operation, individual performance, and reference to payment in industry standard, the remuneration committee reviews and evaluates the overall remuneration rationality and then submits to the board of directors for resolution. The committee also considers the rationality between the relation of individual performance, the Company's business performance and future risk.

IV. Status of Corporate Governance

(I) Operation of the board of directors

The board held seven meetings (A) in 2020. The directors' attendance record is specified as below:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Remarks
Chairman	Chin-Kung Lee	7	0	100.00	Reelected on June 10, 2020
Vice-Chairman	Chi-Chun Hsieh	7	0	100.00	Reelected on June 10, 2020
Director	An-Hsuan Liu	7	0	100.00	Reelected on June 10, 2020
Director	Kao-Yu Liu	7	0	100.00	Reelected on June 10, 2020
Director	Kuan-Hua Chen	7	0	100.00	Reelected on June 10, 2020
Director	Yann Yuan Investment Co., Ltd.	7	0	100.00	Reelected on June 10, 2020

	Representative: Chao-Jung Tsai				
Independent director	Hui-Chun Hsu	7	0	100.00	Reelected on June 10, 2020
Independent director	Dar-Yeh Hwang	7	0	100.00	Reelected on June 10, 2020
Independent director	Xiu-Ming Wang	5	0	100.00	Newly elected on June10, 2020
Independent director	Hsien-Tsun Yang	2	0	100.00	Previous director

Other items to be stated:

I. For board of directors' meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the Company has responded to such opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has already established an audit committee; therefore, matters listed in Article 14-3 of the Securities and Exchange Act do not apply. For related information, please refer to p.40-42 for the operation of the audit committee.

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

Board of directors' meeting date	Motion	Reasons for the required recusal, and participation in the voting process
20th meeting of the 13th board 2020.03.13	Discussion of the adjustments made by the remuneration committee regarding managers' remuneration for year 2020.	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managerial officers, and therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
3rd meeting of the 14th board 2020.08.07	Discussion of the adjustments made by the remuneration committee regarding the proposed distribution of cash remuneration to the Company's managerial officers for 2019.	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managerial officers, and therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.

III. An evaluation of targets for strengthening the functions of the board during the current and immediately preceding fiscal years:

(I) The board of directors' meeting held on August 16, 2011 resolved to approve the establishment of the Remuneration Committee aiming to provide assistance in enforcing and evaluating the remuneration policy and system of the Company's directors and managerial officers for the board of directors.

(II) The board of directors' meeting held on June 24, 2014 resolved to approve the establishment of the Remuneration Committee to assist the board of directors in supervisory duties. The audit committee is organized by three independent directors. The chairman of the committee shall also report its activities and resolutions to the board of directors periodically.

(III) The Company has formulated the "Rules of Procedure for Board of Directors' Meetings" based on the "Regulations Governing Procedure for Board of Directors' Meetings of Public Companies" to strengthen the board's functions. The Company also encourages the board members to take part in various professional courses while also promoting relevant laws and regulations in the board meeting to enhance the decision-making capability of the board as well as to comply with the relevant legal regulations.

(IV) The board of directors' meeting held on May 3, 2019 resolved to approve the establishment of the corporate governance officer while also formulating the Company's "Standard Operating Procedures for Processing Requests Made by the Directors of the Board" to assist in handling requests from directors in a timely manner to strengthen corporate governance compliance with laws and regulations.

(V) On June 10, 2020, the re-election of overall directors was conducted on the general shareholders' meeting; a total of nine directors were elected including three independent directors to strengthen the functions of the board and corporate governance.

(VI) In a bid to improve the Company's risk management while protecting our shareholders' interests, the Company purchases liability insurance for directors and managerial officers. The report has been submitted to the 4th board of the 14th board meeting held on October 30, 2020.

(VII) 2020 continuing education for directors and independent directors:

Title	Name	Date	Organizer/Course name	Number of hours
Director	Kuan-Hua Chen	2020.09.22	TWSE/ "Corporate Governance 3.0 – Sustainable Development Roadmap" Summit	3.0
		2020.10.14	Securities& Futures Institute/ 2020 Annual Promotion on Prevention of Insider Trading and Insider Equity Trading	3.0
Corporate Representative of directors	Chao-Jung Tsai	2020.09.02	Taiwan Academy of Banking and Finance/Reflections and Prospects on the Risk Control of Money Laundering Prevention	3.0
		2020.09.02	Taiwan Academy of Banking and Finance/ Corporate Governance Practical Developments, Corporate	3.0

			Intellectual Property Management Strategies	
Independent director	Xiu-Ming Wang	2020.11.25	Securities & Futures Institute/ Seminar of Futures Derivatives Hedging Trading & Operation of Sound Corporate Sustainability Practices	3.0-

IV. Evaluation of the Board of Directors:

2020 Performance Evaluation for the Board of Directors of King Yuan Electronics Co., Ltd.

To implement corporate governance and improve the function of the board of directors, the Company executes the 2020 performance evaluation for the board of directors based on the "Performance Evaluation Rules for the Board of Directors" of the Company. The performance evaluation of the Company's board of directors includes the entire board, each member and the functional committees; the evaluation methods include self-evaluations by the board of directors and individual board members. After collecting relevant questionnaires such as the "Self-Evaluation Questionnaire for Performance of the Board of Directors," the "Self-Evaluation Questionnaire for Performance of Board Members," and the "Self-Evaluation Questionnaire for Performance of the Functional Committees," the execution unit records the evaluation results in a report based on the evaluation indexes in Article 8 of the "Performance Evaluation Rules for the Board of Directors."

The results regarding the questionnaires of self-evaluation of performance in 2020 (evaluation period: January 1 to December 31, 2020) was as follows:

I. Performance evaluation personnel:

(I) Self-evaluation questionnaire of board of directors: Corporate Governance Officer.

(II) Self-evaluation questionnaire of board members (including 13th and 14th board of directors): Chairman Chin-Kung Lee, Vice Chairman Chi-Chun Hsieh, Director An-Hsuan Liu, Director Chao-Jung Tsai, Director Kao-Yu Liu, Director Kuan-Hua Chen, Director Hsien-Tsun Yang, Independent Director Hui-Chun Hsu, Independent Director Dar-Yeh Hwang and Independent Director Xiu-Ming Wang, totaling 10 persons.

(III) Self-evaluation questionnaire of the functional committee: Corporate Governance Officer.

II. Performance evaluation statistical results:

(I) Performance evaluation of the board of directors

The performance evaluation of the board of directors covers five aspects. The average score is 4.51 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Participation in the operation of the Company	12	4.58
B. Improvement of the quality of the board of directors' decision making	12	4.83
C. Composition and structure of the board of directors	7	4.43
D. Election and continuing education of the directors	7	3.43
E. Internal control	7	5.00
Total/Average score	45	4.51

(II) Performance evaluation of the board members

The performance evaluation of the board members covers six aspects. The average score is 4.73 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Alignment of the goals and missions of the company	3	4.70
B. Awareness of the duties of a director	3	4.87
C. Participation in the operation of the Company	8	4.68
D. Management of internal relationship and communication	3	4.83
E. Director's professionalism and continuing education	3	4.57
F. Internal control	3	4.80
Total/Average score	23	4.73

(III) Performance evaluation of the functional committees

The performance evaluation of the functional committees covers five aspects. The average score is 4.73 and the full score is 5.

Scope of Assessment	Number of Questions	Average score
A. Participation in the operation of the Company	4	5.00
B. Awareness of the duties of the functional committees	8	4.50
C. Improving the decision quality of the functional committees	7	5.00
D. Composition and member election of the functional committees	4	4.25
E. Internal control	3	5.00
Total/Average score	26	4.73

III. Overall comment:

(I) Performance evaluation of the board of directors

The board of directors functions well with good communication, and the board members have a rough understanding of the Company and its business and are able to supervise the Company's operation effectively.

(II) Performance evaluation of the board members

Chairman Chin-Kung Lee	Fulfilled one's duties well
Director An-Hsuan Liu	The board of directors functions well
Director Chao-Jung Tsai	Very satisfied
Independent director Hui-Chun Hsu	Devoted to enhancing diversified courses, especially items related to corporate governance
Independent director Xiu-Ming Wang	The audit can promptly reflect problems, which is more active and comprehensive than general companies
Independent director Hsien-Tsun Yang	The function of the board of directors is normal, open, transparent and effective

(III) Performance evaluation of the functional committees

The members of each functional committee can not only clearly understand their limits of functions but also fully understand and discuss each motion and reach resolutions to submit to the board of directors for discussion.

In brief, the performance evaluation of the board of directors was first held in 2020 with high concern of each board of directors. For the first execution of self-evaluation questionnaire, all directors complied with the laws and regulations to fully fulfill their duty.

IV. Improvement project

The continuing education of the directors requires improvement. The Company will promptly provide information of continuing education courses for directors to fulfill their duties and guide the Company to implement a more comprehensive corporate governance.

(II) Operation of the Audit Committee

(1) The audit committee held five meetings (A) during 2020; the attendance of independent directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A)	Remarks
Independent director	Hui-Chun Hsu	5	0	100.00	Convener and Chairman
Independent director	Dar-Yeh Hwang	5	0	100.00	Reelected
Independent director	Xiu-Ming Wang	3	0	100.00	Newly elected
Independent director	Hsien-Tsun Yang	2	0	100.00	Previous director

(2) Annual Work Focus and Duties of the Audit Committee:

The Company's audit committee is made up of three independent directors and operates primarily for the purpose of overseeing the following matters:

1. The fair expression of the Company's financial statements.
2. The selection (dismissal) of CPAs and their independence and performance.
3. The effective implementation of internal control
4. The Company's compliance with relevant laws and regulations and rules.
5. The management and control of the Company's existing or potential risks.
6. The Company carries out merger and acquisition in accordance with the "Business Mergers and Acquisitions Act."

Duties of the audit committee are as follows:

1. Adoption or amendment, pursuant to Article 14-1 of the Securities and Exchange Act on the internal control system.
2. Inspection of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
4. Matters that involve the director's own interests.
5. Material assets or derivatives trading.
6. Material loans, making endorsements or guarantees.
7. The offering, issuance, or private placement of equity-type securities.
8. The appointment, discharge or remuneration of a Certified Public Accountant (CPA).
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. The annual financial report signed or sealed by the chairman, managerial officers and accounting officer, and the Q2 financial report audited by the CPA.
11. Merger & acquisition matters of the Company.
12. Material matter as may be prescribed by other companies or the competent authority.

Other items to be stated:

I. Where the operation of the audit committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, audit committee's resolution and the Company's resolution of the audit committee's opinions.

(I) The circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Board of directors' meeting date and session	Motion	Resolutions of the audit committee and the Company's response to the audit committee's opinions
20th meeting of the 13th board 2020.03.13	1. 2019 Declaration of Internal Control System 2. Amendment to the "Internal Control System" and "Implementation Rules of Internal Audit" 3. Independence and suitability assessment for the CPAs 4. The separate financial statement and consolidated financial statements 2019 5. 2019 Business Report 6. Motion for the 2019 Earnings Distribution	Approved by all members of the audit committee and all board members present at the meeting without objections.
21st meeting of the 13th board 2020.05.08	1. Approved the motion to make endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. 2. Amendment to the "Internal Control System" and "Implementation Rules of Internal Audit"	Approved by all members of the audit committee and all board members present at the meeting without objections.
3rd meeting of the 14th board 2020.08.07	1. Approved the motion to make endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. 2. Amendment to the "Internal Control System" and "Implementation Rules of Internal Audit"	Approved by all members of the audit committee and all board members present at the meeting without objections.
4th meeting of the 14th board 2020.10.30	1. Approved the motion to make endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. 2. Amendment to the "Internal Control System" and "Implementation Rules of Internal Audit" 3. 2021 audit plan 4. Motion for the 2020 professional fees of CPAs 5. Motion for the acquisition of real estate	Approved by all members of the audit committee and all board members present at the meeting without objections.

(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two-thirds of the board of directors: None.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: N/A.

III. Communication between independent directors and internal auditing officers as well as CPAs (such as communication of significant matters, means and results on the Company's finance and business, etc.):

(1) Communication between independent directors and internal audit officer:

1. The Company's internal auditing officers communicate with independent directors on the audit report results periodically, and report the internal audit at the audit committee meeting per quarter. The internal auditing officers will report any special condition to the audit committee immediately. The communication between the Company's audit committee and internal auditing officers is fair.
2. The internal audit officer reports auditing matters to the board of directors and the audit committee on a regular basis. A summary of the communication between the independent directors and internal audit officer is as follows:

Audit Committee Date	Communication Focus	Communication Outcome
18th meeting of the 2nd Committee 2020.03.13	1. Report on internal auditing operations for Q1 2020 2. 2019 Declaration of Internal Control System 3. Proposed amendments to the "Internal Control System" and "Implementation Rules of Internal Audit"	All independent directors present at the meeting had no objections
19th meeting of the 2nd Committee 2020.05.08	1. Report on internal auditing operations for Q2 2020 2. Proposed amendments to the "Internal Control System" and "Implementation Rules of Internal Audit"	All independent directors present at the meeting had no objections
1st meeting of the 3rd board 2020.08.07	1. Report on internal auditing operations for Q3 2020 2. Proposed amendments to the "Internal Control System" and "Implementation Rules of Internal Audit"	All independent directors present at the meeting had no objections
2nd meeting of the 3rd board 2020.10.30	1. Report on internal auditing operations for Q4 2020 2. Proposed amendments to the "Internal Control System" and "Implementation Rules of Internal Audit" 3. 2021 audit plan	All independent directors present at the meeting had no objections

(2) Communication between independent directors and CPAs:

1. The CPAs report their audit on the Company's financial position to the audit committee from time to time, and would report any special condition to the audit committee immediately. The communication between the Company's audit committee and CPAs is fair.
2. Communication between independent directors and CPAs is as follows:

Audit Committee Date	Communication Focus	Communication Outcome
18th meeting of the 2nd Committee 2020.03.13	The separate financial statement and consolidated financial statements 2019	All independent directors present at the meeting had no objections

(III) Corporation governance status and deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Scope of Assessment	Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has formulated the "Corporate Governance Best-Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to enforce the responsibility of business operators while protecting the legal rights and interests of shareholders as well as other stakeholders. The Company has also set up a corporate governance section on its official website for investors to download the relevant corporate governance regulations.	Consistent with Corporate Governance Best-Practice Principles
II. Equity structure and shareholders' equity				
(I) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters, and have the procedures been implemented accordingly?	V		(I) To protect the rights of the shareholders, the Company has a spokesperson and a proxy spokesperson to handle shareholder-related matters. The Company also entrusts a professional stock agent to handle stock affairs. A section dedicated to investors has been set up on the Company's official website, and there is a contact channel and an investor contact letterbox provided to shareholders and investors for suggestions or questions.	Consistent with Corporate Governance Best-Practice Principles
(II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	V		(II) The Company keeps track of the shareholder register provided by the stock agent and regularly reports to the MOPS in accordance with laws.	Same as above.
(III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?	V		(III) The Company and its affiliates have established their internal control systems and have the parent company supervise the systems. Meanwhile, each affiliate has also set up its own firewall for strict risk control.	Same as above.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public	V		(IV) In order to guide directors and managerial personnel to act in line with the ethical standards and enable	Same as above.

information?			the Company's stakeholders to better understand the Company's ethical standards, the Company established the "Codes of Ethical Conduct." Information in relation to ethical standards is updated from time to time to encourage employees to adhere to relevant regulations in a timely manner.	
III. The organization of the board of directors and its duties (I) Does the board of directors have diversified policies regulated and implemented substantively according to the composition of the members?	V		(I) The composition of the Company's board of directors members focuses on diversified elements, and the members hold the necessary knowledge, skills and literacy required to perform their duties. The Company has adopted the diversification of board members as required by the "Corporate Governance Best-Practice Principles" including but not limited to the following two major criteria: (1) Basic conditions and values: gender, age, nationality and culture, etc. (2) Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. The Company's 14th board is made up of nine members (including three independent directors). Their expertise lies within industry and academia, enforcing the diversification of board members.	Consistent with Corporate Governance Best-Practice Principles
(II) Whether the company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, is willing to establish any other functional committees voluntarily?		V	(II) The Company has established the remuneration committee and audit committee. In the future, depending on laws and regulations or practical needs, the Company may establish other functional committees.	-
(III) Does the company establish a standard to measure the performance of the board, implement it annually and submit the results to the board of directors as reference for the remuneration of individual directors and the nomination of candidates?	V		(III) The "Board of Directors Performance Evaluation" was approved by resolution from the board of directors' meeting held on December 27, 2019, and was approved for amendments at the board of directors' meeting held on December 25, 2020. The performance evaluation of the Company's board of directors, including the entire board, each member and the functional committees. The Company has been	Consistent with Corporate Governance Best-Practice Principles

			conducting an annual board evaluation as required by law in 2020. The performance evaluation outcome of the board of directors is submitted to the board meeting for reporting prior to the end of the first quarter each year. The performance evaluation outcome is also reported to the Exchange. The indicators for the performance evaluation of the board are based on the Company's operations and needs. Contents of the indicators are determined to be consistent and suitable for the Company to enforce the evaluation. The remuneration committee reviews these contents on a regular basis while also providing suggestions. The results of the Company's performance evaluation of the board of directors will also serve as a reference in the selection or nomination of directors.	
(IV) Is CPAs' independence assessed on a regular basis?	V		(IV) The Company evaluates the independence and appropriateness of its CPAs each year. The results were reported to the audit committee and the board of directors for review and approval on March 12, 2021 Accountants Shao-Pin Kuo and Wen-Fang Fu of Ernst & Young evaluated by the Company have met the Company's independence evaluation criteria (Note 1). These accountants are qualified to act as the Company's CPAs. The accounting firm has issued a statement of independence.	Consistent with Corporate Governance Best-Practice Principles
IV. Does the TWSE/TPEx listed company have a dedicated unit/staff member in charge of the Company's corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, applying for/changing the company registry, and producing meeting minutes of board/shareholder meetings)?	V		In an effort to strengthen the efficiency of corporate governance, the Company approved to appoint the senior manager of the Finance Division as the corporate governance officer by resolution at the board of directors' meeting held on May 3, 2019. The terms of reference for the corporate governance chief are as follows: (1) Handling of matters relating to board of directors' meetings and shareholders' meetings in compliance with law. (2) Producing minutes of board meetings and shareholders' meetings. (3) Assisting in onboarding and continuous development of directors. (4) Furnishing information	Consistent with Corporate Governance Best-Practice Principles

	V		required for business execution by directors. (5) Assisting directors with legal compliance. (6) Other matters set out in the Articles of Incorporation or contracts. 2020 business execution focus: (1) Supervising the convening notice, providing meeting information and preparing meeting minutes for shareholders' meetings and board of directors' meetings. (2) Assisting in onboarding and continuous development of directors. (3) Assisting the independent directors in their communication with the internal audit officer, CPAs or related business executives. (4) Assisting the directors in providing information and related laws and regulations necessary for them to carry out duties. (5) Evaluating and taking out suitable liability insurance for directors, supervisors and managerial officers. (6) Supervising the Company in the operation and enforcement of corporate governance. In 2020, the total hours for of courses taken by the corporate governance officer was 20.5 hours. (see Note 2)	
V. Has the Company established a communication channel for the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	V		The Company has set up a spokesperson and proxy spokesperson to handle matters in relation to the Company's information and communication. For the "CSR Report" prepared by the Company and stakeholder-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR," and click the directory "Stakeholders and Concerned Issues – Stakeholder Communication" under "Stakeholders and Concerned Issues" and "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles
VI. Has the Company commissioned a professional stock service agent to handle shareholders' affairs?	V		The professional stock service agent, "Horizon Securities," is entrusted by the Company to process the stock service affairs on behalf of the Company.	Consistent with Corporate Governance Best-Practice Principles
VII. Information disclosure (I) Has the company established a	V		(I) The Company has a website which	Consistent with

	website that discloses financial, business, and corporate governance-related information?			discloses its financial and corporate governance information, and is regularly updated for the Company's investors. (http://www.kyec.com.tw/)	Corporate Governance Best-Practice Principles
(II)	Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	V		(II) The Company discloses related information on the MOPS in accordance with the Regulations Governing Disposition of Public Information, and provides related information on the Company's website. The Company has set up an official website in Chinese and English. Also, it appoints the spokesperson, and dedicated personnel responsible for collecting and disclosing the Company's information.	Same as above.
(III)	Does the company announce and report the annual financial statement within two months after the end of the fiscal year, and announce and report the Q1, Q2 and Q3 financial statements and monthly operations reports within the prescribed period of time?	V		(III) After the end of each accounting year, the Company publishes and reports the financial report approved by the board of directors as required by the competent authorities. The Company also publishes and reports its Q1, Q2 and Q3 financial reports and monthly operations report to the Market Observation Post System (MOPS) within the prescribed time so that investors are able to obtain sufficient and accurate information. The Company has announced and reported its annual financial reports on March 17, 2021.	Same as above.

VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors)?	V		Since the Company was incorporated, the Company has upheld the management philosophy dedicated to creating mutual benefits and pursuing maximum interest for its shareholders, employees and customers, etc. (1) Employee rights, employee care: The Company is dedicated to building a healthy and safe working environment and an unhindered communication channel for its employees. The Company established the employees' welfare committee on September 2, 1993 to engage in planning various employees' welfare policies. Meanwhile, it also provides the pension reserves and concludes labor–management agreements in accordance with the Labor Standards Act. The Company treats its employees in good faith and with respect, stabilizes the employees' lives and improves the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees. (2) Investor relations: The Company has set up a dedicated spokesperson and proxy spokesperson to handle shareholders' suggestions or disputes while regularly disclosing financial and corporate governance information. (3) Supplier relations, rights of stakeholders: For the "CSR Report" prepared by the Company, please visit the Company's website at http://www.kyec.com.tw/. (4) For continuing education of the directors, the Company also follows the "Model Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" promulgated by TWSE. (5) Execution of the risk management policy and risk measurement standards: The Company has established management measures for important management indicators which are executed accordingly. (6) Execution of the customer policy: The Company adheres to the contracts signed with customers and their	Consistent with Corporate Governance Best-Practice Principles

			relevant regulations in a stringent manner to ensure the rights of customers. (7) The Company takes out liability insurance for directors: The Company has taken out the liability insurance for directors and managerial officers.	

IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies: The Company already reviewed the corporate governance assessment report of the 7th term. In the future, it will aim to strengthen the disclosure of information on the Company's website as the first priority, and will continue to strengthen the reporting on related information in English and upgrade the transparency of information for domestic/foreign investors' reference. The Company attaches great importance to the impact of corporate governance on business operations, and cares deeply about the rights and interests of shareholders as well as their equal treatment, while implementing corporate social responsibility. Through effective board operations and credible and transparent information disclosure, the Company's corporate culture can be shaped to further enhance competitiveness. In the future, the Company will keep on implementing corporate governance, creating maximum value for the Company and shareholders.

Note 1: Procedures of the CPA's independence evaluation:

Company Name:	King Yuan Electronics Co., Ltd.
Accounting period:	January 1 to December 31, 2020

Description

1. The procedures of the accountant's independence evaluation is established based on the Certified Public Accountant Act, the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and Statements on Auditing Standards.
2. According to the Bulletin of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 "Integrity, Objectivity and Independence," the definitions are as follows:

   Financial interest: An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

   Direct financial interest:

   - Owned directly by and under the control of an individual or entity, including those managed on a discretionary basis by others.
   - Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.

   Indirect financial interest: A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.

   Family: A spouse (or equivalent) or underage children.

   Immediate family: Lineal, immediate affinity and sibling.

Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
1. Financial benefits		
(i) Whether or not the members of the audit team and their family members have any direct financial interest or material indirect financial interest in the Company?	Yes	
(ii) Whether or not the other accountants in the accounting firm and their family members have any direct financial interest or material indirect financial interest in the Company?	Yes	
(iii) Whether or not the accounting firm and their affiliated companies have any direct financial interest or material indirect financial interest in the Company?	Yes	
Summary of conclusion: None of the above		
2. Financing and guarantees (applied to non-financial industries)		
Is there mutual financing or providing of guarantees between the accounting firm, its affiliated companies and audit service team members?	Yes	
Summary of conclusion: None of the above		
3. Business relationship		

Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
(i) Do members of the accounting firm, its affiliated companies or audit service team members have a close business relationship with the Company, between the Company's directors, supervisor or managerial officers? Relationship such as: ■ Having strategic alliance with the Company or its controlling shareholders, directors and supervisors or managerial officers with significant interests. ■ Combining services and products provided by the Company with the services or products of the accounting firm or its affiliated companies while marketing them externally. ■ Mutually promoting or marketing products or services between the accounting firm or its affiliated companies and the Company to gain benefits.	Yes	
(ii) Does the Company sell goods or provide services to the accounting firm, its affiliated companies or the audit service team members based on the normal business behavior?	N/A	
Summary of conclusion: None of the above		
4. Family and individual relationship		
(i) Have family members of the audit service team served as the Company's directors, supervisors, managerial officers, or conducted duties that have significant impact on the audit, or any of the previously mentioned duties during the auditing period?	Yes	
(ii) Have close relatives of the audit service team served as the Company's directors, supervisors, or managerial officers, or conducted duties that have significant impact on the audit, or any of the previously mentioned duties during the auditing period?	Yes	
Summary of conclusion: None of the above		
5. Employment relationship		
(i) Does the accounting firm, its affiliated companies or the audit service team members serve as the Company's directors, supervisors, or managerial officers, or conduct duties that have significant impact on the audit?	Yes	
(ii) Audit service team members, accountants or accountants departed from the accounting firm hired by the Company should take into account the following situations to determine the level of impact on the accountant's independence: ■ The position held in the Company. ■ The duration of employment with the Company from the time of departure from the accounting firm. ■ The importance of the position held in the previous accounting firm.	N/A	
(iii) Whether or not the party knows that the audit service members are hired by the Company in the future.	Yes	
(iv) Do accountants or employees of the accounting firm or its affiliated companies provide services to the Company's directors, supervisors, managerial or equivalent positions?	Yes	
Summary of conclusion: None of the above		
6. Gifts and special offers		
Are gifts or special offers given to the audit service team members based on social courtesy or business practices and are not of significant value and without any motive or intent to affect professional decisions or to obtain confidential information?	N/A	

Procedures of the accountant's independence evaluation	Compliance	
	Yes	No
Summary of conclusion: None of the above		
7. Rotation of CPAs		
Has the Company's primary accountant served for less than seven years and with at least a two-year interval between rotations before returning to the Company?	Yes	
Summary of conclusion: The Company has complied with related rotation rules.		
8. Non-audit business		
Ask the accountant regarding details of the non-audit business provided by the Company and its impact on independence.	N/A	
Summary of conclusion: Not applicable since non-audit service was not provided this year.		
9. Statement of Independence for Accountants		
Obtained the Statement of Independence prepared by the audit committee.	Yes	
Summary of conclusion: The Statement of Independence for Accountants has been obtained.		

Note 2: 2020 continuing education for the corporate governance officer

Title	Name	Date	Organizer	Course Name	Number of hours
Corporate Governance Officer	Neil Chung	2020.01.16	Institute for Information Industry – Science & Technology Law Institute	Improve the Corporate Governance Structure with Smart Financial Management – Promotion of Smart Financial Management for Board of Directors of Listed Companies	2.5
		2020.07.15	Securities & Futures Institute	Practical & Advanced Seminar for Directors, Supervisors (including independent directors) and Corporate Governance Officers – Regulations and Operational Practices for the Audit Committee	3.0
		2020.08.11	Securities & Futures Institute	Practical & Advanced Seminar for Directors, Supervisors (including independent directors) and Corporate Governance Officers – A Talk of Board Functions from Corporate Fraud Prevention	3.0
		2020.08.12	Securities & Futures Institute	Practical & Advanced Seminar for Directors, Supervisors (including independent directors) – M&A Experience Sharing & A Focus on Hostile M&A	3.0
		2020.08.19	Securities & Futures Institute	2020 Seminar of Futures Derivatives Hedging Trading & Operation of Sound Corporate Sustainability Practices for Listed Companies	3.0
		2020.10.21	Securities & Futures Institute	2020 Annual Promotion on Prevention of Insider Trading and Insider Equity Trading	3.0
		2020.10.22	TWSE	2020 Promotion on Corporate Governance and Corporate Integrity for Directors and Supervisors	3.0

(IV) The composition, duties and operation of the Company's remuneration committee:

1. Information about remuneration committee members

Position (Note 1)	Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications: Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Work experience in business, law, finance, accounting, or other areas required for the operation of the Company	Compliance of independence (Note 2): 1	2	3	4	5	6	7	8	9	10	Number of positions as a remuneration committee member in other public listed companies	Remarks
Independent director	Hui-Chun Hsu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent director	Dar-Yeh Hwang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent director	Xiu-Ming Wang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Others	Chung-Chi Huang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Please specify director, independent director or others.

Note 2: Please tick the "✓" if members meet any of the following conditions during the two years before being elected or during the term of office.

(1) Not an employee of the company or an affiliate.

(2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an independent director appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.

(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) Not a majority of the Company's director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an independent director appointed in accordance

with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(7) Not a chairman, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution who is the same person or spouse: a director (or governor), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (except a specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the public company, or an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual, or an owner, partner, director (or executive director), supervisor, or officer of a sole proprietorship, partnership, company, or institution, that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company of which the provider in the past two years has received cumulative remuneration exceeding NTD 500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

2. Information concerning the remuneration committee

(1) The Company's remuneration committee of the 4th term consists of four (4) members.

(2) Duration of service: June 24, 2020 to June 09, 2023.

The remuneration committee held four meetings (A) in 2020; details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) [B/A]	Remarks
Convener	Hui-Chun Hsu	4	100.00	Convener and Chairman
Member	Dar-Yeh Hwang	4	100.00	Reelected
Member	Xiu-Ming Wang	2	100.00	Newly elected
Member	Chung-Chi Huang	4	100.00	Reelected
Member	Hsien-Tsun Yang	2	100.00	Previous director

Other items to be stated:

I. Discussions and resolutions by the Company's 2020 remuneration committee meeting and the Company's response to opinions of its members:

Remuneration Committee Date/session	Motion	Resolutions by the Remuneration Committee	The Company's response to remuneration committee's opinions
8th meeting of the 3rd remuneration committee 2020.03.13	1. Motion for the Company's 2019 remuneration to directors	Approved by all members of the remuneration committee present at the meeting without objections	Approved by all board members present at the meeting without objections
	2. 2020 remuneration adjustment for the Company's managerial officers	Approved by all members of the remuneration committee present at the meeting without objections	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managerial officers, they therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
9th meeting of the 3rd remuneration committee 2020.05.08	The 2019 proposed remuneration distribution for directors	Approved by all members of the remuneration committee present at the meeting without objections	Approved by all board members present at the meeting without objections
1st meeting of the 4th remuneration committee 2020.08.07	The review of the 2019 proposed employee's cash remuneration to the Company's managerial officers.	Approved by all members of the remuneration committee present at the meeting without objections	As Chairman Chin-Kung Lee and Director An-Hsuan Liu are also the Company's managerial officers, they therefore recused themselves from the discussion and voting on the motion. The motion was passed by all directors present at the meeting who participated in the discussion and voting with no objection.
2nd meeting of the 4th remuneration	Propose to determine the remuneration to the Company's new	Approved by all members of the remuneration	Approved by all board members present at the meeting without objections

committee 2020.10.30	vice-president Hans Han	committee present at the meeting without objections	

II. Where the board may not accept or revise the recommendations of the remuneration committee, specify the date and the instance of the board session, and the content of the motions, the resolution of the board, and the response to the opinions of the remuneration committee: None.

III. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.

IV. Terms of reference for the remuneration committee:

Members of the remuneration committee are appointed under the resolution of the board of directors. The committee comprises four directors, one of whom is appointed as the convener.

Accordance with the Company's Charter for the Remuneration Committee – the remuneration committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

(1) Establishing and periodically reviewing the policies, systems, standards and structures for performance evaluation and remuneration to directors and managerial officers.

(2) Evaluating and formulating the remuneration for directors and managerial officers on a regular basis.

(V) Fulfillment of corporate social responsibility and deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons

Scope of Assessment	Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and set up relevant risk management policies or strategies?	V		For the "CSR Report" prepared by the Company and stakeholder-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR," and click the directory "Corporate Governance –Corresponding Risk Mitigation Strategies" and "Stakeholders and Concerned Issues – Management Policies and Target Performance of Material Aspects" under "Stakeholders and Concerned Issues" and "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles
II. Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the board of directors who shall be responsible for reporting the status thereof to the board of directors?	V		The Company has already designated the dedicated (part-time) body for promotion of the corporate social responsibility – Administrative Center.	Consistent with Corporate Governance Best-Practice Principles
III. Environmental issues (I) Whether the Company establishes environmental policies suitable for the Company's industrial characteristics?	V		(I) In order to promote the SHE, the Company complies with the domestic SHE laws and regulations, and also implements the SHE management system in line with the international standards. The Company also passed the ISO14001 for environmental management (converted into ISO14001:2015 in 2017) and OHSAS18001 for occupational safety and health management at the same time in 2002 and, therefore, became the first company which passed the back-end certification by both systems in Taiwan at the same time. Passed ISO14064 for international GHG management system	Consistent with Corporate Governance Best-Practice Principles

			certification in 2007. Passed TOSHMS certification in 2008. Chu-Nan Factory passed ISO50001 energy management system certification in 2016, and Tongluo Factory was included into the scope of certification in 2017. It was converted into ISO50001:2018, and the packaging factory was included into the scope of certification in 2019.	
(II) Whether the Company endeavors to upgrade the efficient use of available resources, and the use of environmentally friendly materials?	V		(II) The Company is dedicated to solving problems at the source and progressively improving the utilization rate of various resources to reduce raw material input and waste output and minimize its impact on the environment.	Same as above.
(III) Has the company assessed the potential risks and opportunities for business operations now and in the future regarding climate change and will it adopt response measures relating to climate issues?	V		(III) The Company passed the ISO14064 international GHG management system certification in 2007. Meanwhile, the Company appoints SGS to continue the GHG inventory-taking and certification, and the energy-saving and carbon-reduction activities each year.	Same as above.
(IV) Has the company inspected greenhouse gas emissions, water consumption, and total waste in the past two years, and formulated policies for energy conservation and reduction in carbon emission, greenhouse gas emission, and water consumption, or other waste management policies?	V		(IV) In addition to obtaining the ISO14064 international greenhouse gas management system certification in 2007, the Company established the ISO50001 energy management system and passed the certification in 2016 while formulating energy-saving projects every year, of which the performance is reviewed by top-level management on a regular basis.	Same as above.
IV. Social issues (I) Whether the Company has established the related management policies and procedures in accordance with the relevant laws and international human rights conventions?	V		(I) The Company complies with the related labor laws and regulations and respects the basic laborers' human rights principles recognized internationally. The appointment/dismissal of employees and remuneration to the employees are handled in accordance with the Company's related systems and management regulations to protect the employees' basic interests and rights.	Consistent with Corporate Governance Best-Practice Principles
(II) Has the company established and implemented reasonable measures for employee benefits (including remuneration, holidays and other	V		(II) Conducted the employees' performance evaluation each year as the basis for remuneration to employees and promotion and	Same as above.

benefits), and appropriately reflected the business performance or achievements in the employee remuneration?			career development planning for the employees. Combined the reward & punishment to employees and performance and raise based on the level of remuneration applicable in the same trade.	
(III) Whether the Company provides the existence of a safe and healthy work environment, and regular safety and health training to employees?	V		(III) The Company organizes the employees' health checkup and various health promotion activities each year, and also provides the employees whose health condition is found to be abnormal with care and health education information case by case.	Same as above.
(IV) Whether the Company has established some effective career development training plans for employees?	V		(IV) The Company has established the regulations governing educational training systems applicable to the various levels. The Company will also fulfill and organize annual training plans each year.	Same as above.
(V) Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling of all products and services offered, and implemented consumer protection policies and complaint procedures?		V	(V) Not applicable and, therefore, no related consumer protection policy or complaints procedure needs to be established.	-
(VI) Has the company established supplier management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental, occupational safety, and health or labor rights?	V		(VI) For the "CSR Report" prepared by the Company and supplier-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR," and click the directory under "CSR Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles
V. Has the company taken reference from the internationally accepted reporting standards or guidance when compiling CSR reports to disclose non-financial information? Have the reports mentioned previously obtained the assurance of third-party verification?	V		For the "CSR Report" prepared by the Company concerning the preparation criteria and assurance/confidence, please visit the Company's website at http://www.kyec.com.tw/, "CSR," and click the directory "Report – Preparation Standards" under "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles
VI. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations from the Best-Practice Principles: The Company has established the "Corporate Social Responsibility Best-Practice Principles." Its actual operation does not differ from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies."				
VII. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: (I) The Company values the energy management, environmental protection and occupational safety & health areas very much. Hsin-Chu Factory and Chu-Nan Factory have won the "Five-Star Award" for labor safety and health from the Council of Labor Affairs, Executive Yuan in 2010 and 2013. In order to fulfill the Company's corporate social responsibility, the Company				

participates in the adoption of peripheral roads by Chu-Nan Factory each year. The Company is used to promoting the effective resource utilization voluntarily. In 2015, the Company was honored as the excellent entity for the "Low Carbon Action Award" by the Environmental Protection Administration, Executive Yuan. In 2018, the Company's factory premises received the "Badge of Accredited Healthy Workplace" from the Health Promotion Administration. In 2020, Chu-Nan Factory and Tongluo Factory were honored as the excellent entities for "2019 Green Procurement" by the Environmental Protection Bureau of Miaoli County, and Chu-Nan Factory was honored as the excellent entity for "2019 Green Procurement" awarded by the Environmental Protection Administration, Executive Yuan.

Tongluo Factory for Stage 1 received the "Green Building—Bronze Medal" awarded by the Ministry of Interior in 2016, and received the excellence award in "Landscaping and Environmental Maintenance Competition" organized by Hsinchu Science Park during 2017 to 2020.

(II) The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about discharge of pollutants in the process of production. Meanwhile, the management values the various pollution prevention works very much. The various inspections all comply with the governmental laws and regulations. Already passed the ISO14001 for environmental management (converted into ISO14001:2015 in 2017) and OHSAS18001 for occupational safety and health management (converted into ISO45001:2018 in 2020) and ISO14064 for international GHG system certification at the same time in 2008 and, therefore, became the first company which passed the back-end certification by both systems in Taiwan at the same time. Passed TOSHMS certification in 2008 (converted into CNS45001:2018 in 2020). Chu-Nan Factory passed ISO50001 energy management system certification in 2016, and Tongluo Factory was included into the scope of certification in 2017. It was converted into ISO50001:2018, and the packaging factory was included into the scope of certification in 2019. Passed ISO22301:2019 business continuity management system in 2020.

(III) The Company responds to the multiple employment plans prepared by the government. It received the "Employment Creation Contribution Award" for the agricultural and industrial group awarded by the Ministry of Economic Affairs and Council of Labor Affairs, Executive Yuan on November 30, 2010. Meanwhile, the Company establishes the Employees' Welfare Committee, implements the pension system, organizes various employee training programs and group insurance, arranges periodic health checkups and values the harmonious labor–management relationship. The Company also actively works with local schools. For the time being, it is working with the schools including National Kaohsiung University of Science and Technology, National Yunlin University of Science and Technology, National Changhua University of Education, National United University, National Quemoy University, Chaoyang University of Technology, National Formosa University and Yu Da University of Science and Technology, etc. The Company not only fulfills its social responsibility but also trains professional human resources. It has been 14 years since the Company adopted the industry–academia cooperation, and a total of 2,122 persons have been involved in the industry–academia cooperation already.

(IV) For social participation, the Company established the kind heart club. The Company takes care of disadvantaged groups, cares for the independent-living elderly, participates in community activities and actively sponsors various activities organized by city/county governments as its mission and philosophy. It will also set up public welfare booths in large-scale activities of the Company each year and work with various public welfare groups in some bazaars. It spares no effort in boosting the fund-raising activities organized by the public welfare groups. At the same time, it hopes to fulfill its corporate social responsibility.

(V) For the "CSR Report" prepared by the Company, please visit the Company's website at http://www.kyec.com.tw/, "CSR," and click the directory under "Report" to access related contents.

(VI) The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Scope of Assessment	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program				
(I) Has the Company formulated an ethical policy approved by the board of directors and does the Company expressly state the ethical policy and its fulfillment by the board of directors and the management in its Articles of Incorporation and public documents?	V		(I) In order to help the Company establish the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles."	Consistent with Corporate Governance Best-Practice Principles
(II) Does the company establish appropriate precautions against high potential unethical conducts, with analysis and assessments on business activities of high potential unethical conducts, and formulate a prevention plan stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" specifies the prohibition of unethical conducts including offering or accepting bribery or improper benefits, offering or promising facilitation payments, making illegal political contributions, engaging in unfair competitive practices, improper charitable donations or sponsorships, disclosing trade secrets, and compromising the rights of stakeholders. In order to enforce ethical management for conduct, the Company has adopted preventive measures and has been enforcing them.	Same as above.
(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as	V		(III) The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of	Same as above.

	an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?			ethical management and actively prevent unethical conduct, these “Procedures for Ethical Management and Guidelines for Conduct” are adopted with a view to providing all personnel of this Corporation with clear directions for the performance of their duties, including the specified operating procedures and behavior guidelines for each program, disciplinary actions, and complaints system, after approval by resolution made in the board meeting held on October 30, 2020. The scope of application of these Procedures and Guidelines includes the subsidiaries of this Corporation, any incorporated foundation in which this Corporation’s accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by the Company. Not only are these Procedures enforced on our new recruits, but they are also implemented in the Company’s operations.	
II.	Implementation of ethical management				
(I)	Whether the Company assesses a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	V		(I) The Company shall take into consideration the legitimacy of its agents, suppliers, customers or other business trading counterparts and whether they are involved in any unethical activities before engaging in transactions, in order to avoid engaging in transactions with unethical ones. The agreements/contracts concluded by the Company with its agents, suppliers, customers or other business trading counterparts shall include the ethical corporate	Consistent with Corporate Governance Best-Practice Principles

			management policy and the clauses providing that the agreements/contracts shall be rescinded or terminated where the trading counterparts are involved in any unethical activities.	
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the board to be in charge of corporate integrity? Does the Company report policies to the board on a regular basis (once a year) to prevent conflicts of interest and provide proper statement channels?	V		(II) The Company has appointed the President's Office as the dedicated unit subordinated to the board of directors responsible for establishing and supervising the execution of ethical corporate management policies and preventive measures, taking charge of various matters and reporting to the board of directors periodically.	Same as above.
(III) Whether the Company defines any policy against conflict of interest, provides adequate channels thereof, and fulfills the same precisely?	V		(III) The "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. The Company also provides open channels for employees to express their opinions within the Company and through its official website. The primary principle of the directors and managerial officers of the Company is ethical corporate management. If any decision or transaction involves their own conflict of interest, based on the principles of preventing conflicts of interests, directors and managerial officers are prohibited from voting.	Same as above.

(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrusted an accountant to carry out the review?	V		(IV) In order to implement ethical corporate management, the Company has set up an effective accounting system and internal control system to ensure that ethical corporate management has been enforced. The audit division reviews the compliance of the said systems according to the annual auditing plans. The Company also complies with applicable regulations of the "Company Act" and the "Securities and Exchange Act," and the Company's accountants are responsible for the auditing of accounting books.	Same as above.
(V) Whether the Company organizes internal/external education training programs for ethical management periodically?	V		(V) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" and promotes ethical corporate management in employee education & training and meetings from time to time. In 2020, the Company organized online courses (including legal education and training, information security and intellectual property protection policy, insider trading prevention promotion). A total of 7,205 employees took part in these training courses.	Same as above.
III. Status of the Company's complaint system				
(I) Whether the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	V		(I) The Company has set up the employees' message board, opinion mailbox and hotline dedicated to accepting the complaints from employees.	Consistent with Corporate Governance Best-Practice Principles
(II) Has the company implemented any standard procedures, subsequent measures	V		(II) Investigations are conducted by the Company's Human Resources Department and are conducted confidentially.	Same as above.

or confidentiality measures for handling reported misconducts?				
(III) Has the Company provided proper whistleblower protection?	V		(III) According to Article 22 of the Company's "Ethical Corporate Management Best-Practice Principles" and Article 21 of the "Procedures for Ethical Management and Guidelines for Conduct," the Company protects the identity and content of the whistleblower so that he/she is not improperly treated due to whistleblowing.	Same as above.
IV. Enhancing Information Disclosure Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?	V		The Company updates ethical management information including the "Code of Ethical Conduct" and other management rules on its website from time to time. Contents of the Company's Ethical Management Principles and its implementation are announced on the MOPS.	Consistent with Corporate Governance Best-Practice Principles
V. Has the Company established its own ethical business best-practice principles based on "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: The Company has established its own "Ethical Corporate Management Best-Practice Principles" to establish and develop a corporate culture of ethical corporate management. The actual operation does not differ from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies."				
VI. Other important information to help the better understanding of the Company's ethical corporate management (e.g. review and amendments on the ethical corporate management best-practice principles established by itself): 1. To be in line with the amendment to "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" made in 2019, the amendment to the Company's "Ethical Corporate Management Best-Practice Principles" has been approved by the board of directors meeting held on December 27, 2019. 2. In an effort to implement ethical corporate management and ethical conduct, the Companystrengthens professional ethics while also raising awareness of legal compliance through the promotion of continuing education courses and online courses for employees. 3. In 2020, a total of 7,205 employees took part in training courses. The related education & training and promotion situation is as follows:				

For Whom the Course is Designed	Name	Date	Method and Passing Criteria
All employees	Education & Training on Legal Matters	2020.04.06 – 2020.04.17	Passing the online course within the reading period (full score of the test is 100)
	Information Safety and Intellectual Property Protection Policy	2020.10.30 – 2020.11.20	Passing the online course within the reading period (full score of the test is 100)
	Promotion on Prevention of Insider Trading	2020.08.31	Through internal announcement
All directors	Education and Promotion of Prevention of Insider Trading and Ethical Corporate Management	2020.12.25	Related education and promotion provided to directors at the 14th session of the 5th board meeting

(VII) If the company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company has established its own "Corporate Governance Best-Practice Principles," "Ethical Corporate Management Best-Practice Principles," "Codes of Ethical Conduct" and "Corporate Social Responsibility Best-Practice Principles." Please refer to: "Corporate Governance" on https://mops.twse.com.tw/ under "Rules and Regulations Governing Corporate Governance" and https://www.kyec.com.tw/csr/csrreport.aspx.

(VIII) Other information enabling better understanding of the Company's corporate governance: N/A.

(IX) Implementation of the internal control system

1. Declaration of Internal Control System: As below.
2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: None.

Declaration of Internal Control System

Date: March 12, 2021

The following declaration had been made based on the 2020 self-assessment of the Company's internal control system:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security), reliable, timely and transparent financial reporting, and regulatory compliance.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.

III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). Criteria introduced by the Regulations consists of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to the Regulations for details.

IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.

V. Based on the aforementioned audit findings, the Company holds that it has reasonably preserved the achievement of the above goals within the aforementioned period ended on December 31, 2020.12.31 of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.

VI. This Statement of Declaration will be the major content of the annual report and prospectus of the Company and disclosed to the public. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal liabilities.

VII. This declaration was passed unanimously without objection by all 9 directors present at the board meeting dated March 12, 2021.

King Yuan Electronics Co., Ltd.

Chairman: Chin-Kung Lee

(Signature)

President: An-Hsuan Liu (Signature)

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement, specify its content, main deficit and improvement situation:
N/A.

(XI) Important resolutions made by the shareholders' meeting board of directors' meeting during the current fiscal year and up to the date of printing of the annual report

1. Shareholders' meeting

The Company's 2020 general shareholders' meeting was organized at Zhongshan Hall of Toufen City Office, Miaoli County on June 10, 2020. The motions resolved by the shareholders attending the meeting are summarized as following:

Date	Session	Important resolution
2020.06.10	Annual Meeting of Shareholders	1. The motion for business report and financial statements 2019 was ratified. 2. The motion for allocation of earnings 2019 was ratified. Execution: Approved the motion for setting the base date for allocation of cash dividend on July 19, 2020, and the cash dividend was allocated on August 12, 2020. (The cash dividend was allocated as NTD 1.60 per share) 3. Approved the amendment to the Company's "Operational Procedures for Loaning of Company Funds." Execution: Already disclosed at the MOPS on June 16, 2020 and implemented in accordance with the amended procedures. 4. Approved the amendment to the Company's "Operational Procedures for Guarantees/Endorsements." Execution: Already disclosed at the MOPS on June 16, 2020 and implemented in accordance with the amended procedures. 5. Approved the motion for allocation of cash dividend from capital surplus. Execution: Approved the motion for setting the base date for allocation of cash dividend on July 19, 2020, and the cash dividend was allocated on August 12, 2020. (The cash dividend was allocated as NTD 0.20 per share) 6. Election: Nine directors were elected (including three independent directors) The elected directors are as follows: Chin-Kung Lee, Chi-Chun Hsieh, An-Hsuan Liu, Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai, Kao-Yu Liu, Kuan-Hua Chen, Hui-Chun Hsu (independent director), Dar-Yeh Hwang (independent director), and Xiu-Ming Wang (independent director). Execution: Registration was approved by the Ministry of Economic Affairs on June 24, 2020.

2. Board of Directors' meeting

The Company has held eight board of directors' meetings in 2020 and up to the date of publication of this annual report. The important motions passed upon resolution are summarized as follows:

Date	Session	Important resolution
2020.03.13	Board of Directors' meeting	1. Approved the 2019 Declaration of Internal Control System. 2. Approved the amendment to "Internal Control System" and "Implementation Rules of Internal Audit." 3. Approved the motion for the Company's 2020 budget. 4. Approved the amendment to the "Rules of Procedure for Board of Directors' meetings." 5. Approved the amendments to the "Charter of the Audit Committee." 6. Approved the amendments to the "Charter of the Remuneration Committee." 7. Approved the motion for assessment on independence and competency of CPAs. 8. Approved the 2019 standalone financial statement and consolidated financial statements. 9. Approved the 2019 business report. 10. Approved the motion for the 2019 earnings distribution. 11. Approved the motion for allocation of cash dividend from capital surplus. 12. Approved the motion for allocation of remuneration to employees in 2019 and the motion proposed by the remuneration committee for the remuneration to directors in 2019. 13. Approved the motion for the election of the board of directors. 14. Approved the motion for candidates for the 14th board. 15. Approved the motion for organization of the Company's 2020 general shareholders' meeting at Zhongshan Hall of Toufen City Office, Miaoli County on June 10, 2020 (Wednesday) at 9 a.m. 16. Approved the motion to adjust the 2020 remuneration to the Company's managerial officers which is recommended by the remuneration committee.
2020.05.08	Board of Directors' meeting	1. Approved the motion for providing endorsement/guarantee to the subsidiary, Suzhou Zhen Kun Technology Ltd. 2. Approved the amendment to "Internal Control System" and "Implementation Rules of Internal Audit." 3. Approved the motion to the 2019 allocated remuneration to directors which is recommended by the remuneration committee.
2020.06.10	Board of Directors' meeting	1. Approved the election for the chairman and vice-chairman.
2020.06.24	Board of Directors' meeting	1. Approved the date of dividend distribution. 2. Approved the motion for the appointment of members of the 4th remuneration committee.
2020.08.07	Board of Directors' meeting	1. Approved the motion for providing endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. 2. Approved the motion for banks including Mega International Commercial Bank to provide syndicate loans of NTD 12 billion. 3. Approved the amendment to "Internal Control System" and "Implementation Rules of Internal Audit."

		4. Approved the motion for increasing the capital expenditure in 2020. 5. Approved the settlement agreement matters with shareholders holding objections towards the merger with Dawning Leading Technology Inc. 6. Approved motion for the adjustments made by the remuneration committee regarding the proposed distribution of cash remuneration to the Company's managerial officers for 2019.
2020.10.30	Board of Directors' meeting	1. Approved the motion for providing endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. 2. Approved the amendment to "Internal Control System" and "Implementation Rules of Internal Audit." 3. Approved the motion of the 2021 audit plan. 4. Approved the motion for the 2020 professional fees of CPAs. 5. Approved the motion of acquisition of real estates. 6. Approved to pass the "Procedures for Ethical Management and Guidelines for Conduct." 7. Approved the motion for personnel arrangement. 8. Approved whether the receivables that were outstanding for more than three months after the normal loan period as of the end of September 2020 are loans to capital.
2020.12.25	Board of Directors' meeting	1. Approved the 2021 capital expenditures for the Company and its subsidiaries. 2. Approved the amendments to the Company's "Charter of the Remuneration Committee." 3. Approved the amendment to the Company's "Code of Ethical Conduct." 4. Approved the Company's "Procedures for the Board of Directors Performance Evaluation." 5. Approved the land lease agreement with WEI SHUN ARCHITECTURE.
2021.03.12	Board of Directors' meeting	1. Approved the 2020 Declaration of Internal Control System. 2. Approved the motion for the Company's 2021 budget. 3. Approved the motion for amendment of Articles of Incorporation. 4. Approved the motion for assessment on independence and competency of CPAs. 5. Approved the 2020 standalone financial statement and consolidated financial statements. 6. Approved the 2020 business report. 7. Approved the motion for the 2020 earnings distribution. 8. Approved the motion for allocation of cash dividend from capital surplus. 9. Approved the motion for allocation of remuneration to employees in 2020 and the motion proposed by the remuneration committee for the remuneration to directors in 2020. 10. Approved the initial public offering (IPO) of RMB common stock (A shares) of the Company's subsidiary King Long Technology (Suzhou) Ltd. and its application for listing on the Shanghai Stock Exchange/Shenzhen Stock Exchange. 11. Approved the motion for organization of the Company's 2021 general shareholders' meeting at 2F., No. 103, Zhongyang Rd., Toufen City, Miaoli County (Grand Royal Hotel Conference Room 205) on June 9, 2021 (Wednesday) at 9 a.m.

(XII) Where a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof in the most recent fiscal year or up to the date of publication of the annual report: N/A.

(XIII) A summary of resignations and dismissals of the Company's chairman, president, chief accountant, executive financial officer, chief internal auditor, corporate governance officer and chief research and development officer in the most recent fiscal year or up to the date of publication of the annual report: N/A.

V. Information of CPA Regarding Fee

Name of accounting firm	Name of CPA		Audit period	Remarks
Ernst & Young	Shao-Pin Kuo	Wen-Fun Fuh	2020.01.01 –2020.12.31	N/A

Unit:NTD thousand

Amount range \ Fee items		Audit Fee	Non-Audit Fees	Total
1	Less than NT$ 2 million			
2	NT$ 2 million (inclusive) – NT$ 4 million			
3	NT$ 4 million (inclusive) – NT$ 6 million	4,935	-	4,935
4	NT$ 6 million (inclusive) – NT$ 8 million			
5	NT$ 8 million (inclusive) – NT$ 10 million			
6	Over NT$ 10 million (inclusive)			

Name of accounting firm	Name of CPA	Audit Fee	Non-Audit Fees					CPA Audit period	Remarks
			System Design	Business Registration	Human Resources	Others	Subtotal		
Ernst & Young	Shao-Pin Kuo Wen-Fun Fuh	4,935	-	-	-	-	-	2020	

(I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: N/A.

(II) Change of CPA firm and the audit fees for the year of the change less that of the previous year, state the amount, the percentage and reason of such variation: N/A.

(III) Any reduction in audit remuneration by more than 10% compared to the previous year; state the amount, the percentage and reason of such variation: N/A.

VI. Information on change of accountants in the past two years: N/A.

VII. Disclosure of any of the Company's chairman, president, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated companies in the last year, including their names, positions, and the periods during which they were employed by the auditor's firm or any of its affiliated companies: N/A.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and until the date of publication of the annual report:

(I) Changes in equity of directors, managerial officers and major shareholders

Unit: share

Title	Name	2020		As of April 11, 2021	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and CEO	Chin-Kung Lee	0	0	0	0
Vice-Chairman	Chi-Chun Hsieh	0	0	0	0
President and Director	An-Hsuan Liu	100,000	0	(100,000)	0
Director	Kao-Yu Liu	0	0	0	0
Director	Kuan-Hua Chen	0	0	0	0
Director	Yann Yuan Investment Co., Ltd.	0	0	0	0
	Representative: Chao-Jung Tsai	0	0	0	0
Independent director	Hui-Chun Hsu	0	0	0	0
Independent director	Dar-Yeh Hwang	0	0	0	0
Independent director	Xiu-Ming Wang	0	0	0	0
Independent director (Note1)	Hsien-Tsun Yang	0	0	0	0
Executive Vice President	Gauss Chang	0	0	0	0
Senior Vice President	K.K Lee	200,000	0	0	0
Senior Vice President	Steven Chang	(928,000)	0	0	0
Vice President	Andy Liang	30,000	0	0	0
Vice President	Hans Han	40,000	0	0	0
Vice President and CFO	Logan Chao	0	0	0	0
Assistant Vice President	Wendy Chen	0	0	0	0
Assistant Vice President	Jeff Hsu	0	0	0	0
Assistant Vice President (Note2)	Chung-Wen Wang	0	0	0	0
Corporate Governance Officer	Neil Chung	0	0	0	0

Note1: Resigned on June10, 2020.
Note2: Resigned on October 31, 2020.

(II) Share transferred to related parties: N/A.
(III) Share pledged to related parties: N/A.

IX. Information on the relationship of the Top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2nd tier

2021.04.11

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using another's name		Names and relationships of the top 10 shareholders who are related parties, spouses, or within second-degree of kinship to each other		Remarks
	Shares	Shareholding ratio (%)	Shares	Shareholding Ratio (%)	Shares	Shareholding ratio (%)	Title (or Name)	Relationship	
Yann Yuan Investment Co., Ltd.	52,600,000	4.30	0	0	0	0	N/A	N/A	
Representative: Wen-Ching Lin	0	0.00	0	0	0	0	N/A	N/A	
Nan Shan Life Insurance Co, Ltd.	49,117,000	4.02	0	0	0	0	N/A	N/A	
Representative: Tang Chen	0	0.00	0	0	0	0	N/A	N/A	
Yuanta/P-shares Taiwan Dividend Plus ETF	41,616,238	3.40	0	0	0	0	N/A	N/A	
Fubon Life Insurance Co., Ltd.	36,957,000	3.02	0	0	0	0	N/A	N/A	
Representative: Ming-Hsing Tsai	0	0.00	0	0	0	0	N/A	N/A	
China Life Insurance Co., Ltd.	34,039,000	2.78	0	0	0	0	N/A	N/A	
Representative: Shu-Fen Huang	0	0.00	0	0	0	0	N/A	N/A	
Chin-Kung Lee	34,000,941	2.78	4,263,053	0.35	0	0	N/A	N/A	
New Labor Pension Fund	30,438,000	2.49	0	0	0	0	N/A	N/A	
United Microelectronics Corporation	23,157,696	1.89	0	0	0	0	N/A	N/A	

Representative: Chia-Tsung Hung	0	0.00	0	0	0	0	N/A	N/A	
Norges Bank	17,134,038	1.40	0	0	0	0	N/A	N/A	
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	15,716,280	1.29	0	0	0	0	N/A	N/A	

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

X. The shareholders of the Company, the Company's directors, managers, and the business entity directly or indirectly controlled by the Company on the same invested company, and also the consolidated comprehensive shareholding ratio

Unit: share

Invested enterprise	Investment made by the company		Investment by directors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
KYEC USA Corp. (Note 1)	160,000	100	0	0	160,000	100
KYEC SINGAPORE PTE. LTD. (Note 2)	78,000	100	0	0	78,000	100
KYEC JAPAN K.K. (Note 3)	1,899	89.83	0	0	1,899	89.83
KYEC Investment International Co., Ltd. (Note 4, 7, 8)	164,923,636	100	0	0	164,923,636	100
KYEC Technology Management Co., Ltd. (Note 4, 7)	7,500,000	100	0	0	7,500,000	100
KYEC Microelectronics Co., Ltd. (Note 4, 7)	125,500,000	100	0	0	125,500,000	100
King Long Technology (Suzhou) Ltd. (Note 5, 7)	0	100	0	0	0	100
Suzhou Zhen Kun Technology Ltd. (Note 6, 8)	0	100	0	0	0	100
King Ding Precision Incorporated Company (Note 9)	6,600,000	100	0	0	6,600,000	100
Fixwell Technology Corp. (Note 10)	2,800,000	23.33	320,000	2.67	3,120,000	26.00
Wei Jiu Industrial Co., LTD. (Note 11)	1,020,000	34.00	0	0	1,020,000	34.00

Note: The Company's investment using the equity method.

Note 1: Acts as the agent for business in the territories of the U.S.A. and related communications.

Note 2: Acts as the agent for business in the territories of Southeast Asia and Europe and related communications.

Note 3: Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.

Note 4: General investment.

Note 5: Engaged in the operation of business about processing, assembly and sale of analog or hybrid automatic data processor parts, solid memory system and heating ovens, and integrated circuit package and test.

Note 6: Integrated circuits package and test, production and sale of processed electronic parts, electronic materials, analog or hybrid automatic data processor, solid memory system and heating ovens, and related after-sale services.

Note 7: (1) Since 2002, the Company has been making improvements through KYEC Investment International Co., Ltd. (BVI) and KYEC Microelectronics Co., Ltd. (CAYMAN) in King Long Technology (Suzhou) Ltd. As of December 31, 2020, the Company had made cumulative investments totaling USD116,155 thousand.

(2) On November 1, 2003 and in November 2009, the Company made investments through contribution of technology into KYEC Technology Management Co., Ltd. (SAMOA), which then made indirect investments through KYEC Microelectronics Co., Ltd. (CAYMAN) into King Long Technology (Suzhou) Ltd., for amounts of USD5,325 thousand and USD2,175 thousand, respectively. These investments were approved by the Investment Commission, Ministry of Economic Affairs, under Letter No. (92)-Jing-Shen-2-092031647 dated October 20, 2003 and (98)-Jing-Shen-2-09800350290 dated October 21, 2009, respectively.

Note 8: (1) The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in the mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Sino-Tech Investment Co., Ltd. (SAMOA) since September 2009. On March 6, 2019, Sino-Tech Investment Co., Ltd. transferred RMB 53,226 thousand ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Sino-Tech Investment Co., Ltd. has completed the liquidation and cancellation processes in 2020Q1. Until December 31, 2020, the Company had accumulated the outward remittances of investment capital in the amount of USD32,431 thousand.

(2) The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in Mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Strong Outlook Investments Limited (BVI) since September 2010. On March 6, 2019, Strong Outlook Investments Ltd. transferred RMB 32,789 thousand worth of ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Sino-Tech Investment Co., Ltd. has completed the liquidation and cancellation processes in 2020Q1. Until December 31, 2020, the Company had accumulated the outward remittances of investment capital in the amount of USD16,337 thousand.

Note 9: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.

Note 10: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.

Note 11: CNC & milling machine processing design and manufacturing of various precision mechanical parts.

Three. Financing Status

I. Capital and Shares

(I) Capital sources

Unit: Share; NTD

Year/Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Capital sources	Investment by properties other than cash	Others
1986.05	1,000	7,000	7,000,000	7,000	7,000,000	Capital stock at the time of incorporation	N/A	N/A
1990.02	1,000	9,500	9,500,000	9,500	9,500,000	Capital increase in cash by NTD 2,500 thousand	N/A	N/A
1994.07	10	2,050,000	20,500,000	2,050,000	20,500,000	Capital increase in cash by NTD 11,000 thousand	N/A	N/A
1995.10	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital increase in cash by NTD 9,500 thousand	N/A	N/A
1996.09	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital increase in cash by NTD 20,000 thousand	N/A	N/A
1997.05	10	9,000,000	90,000,000	9,000,000	90,000,000	Capital increase in cash by NTD 40,000 thousand	N/A	N/A
1997.09	10	35,000,000	350,000,000	17,000,000	170,000,000	Capital increase in cash by NTD 80,000 thousand	N/A	N/A
1998.02	20	35,000,000	350,000,000	35,000,000	350,000,000	Capital increase in cash by NTD 180,000 thousand	N/A	N/A
1998.08	20	80,000,000	800,000,000	54,975,000	549,750,000	Capital increase by NTD 140,000 thousand in cash; Recapitalized by NTD 59,750 thousand from earnings	N/A	N/A
1998.09	10	80,000,000	800,000,000	65,000,000	650,000,000	Recapitalized by NTD 100,250 thousand from capital surplus	N/A	N/A
1998.12	30	80,000,000	800,000,000	70,000,000	700,000,000	Capital increase in cash by NTD 50,000 thousand	N/A	N/A
1999.07	30	150,000,000	1,500,000,000	99,375,000	993,750,000	Capital increase by NTD 100,000 thousand in cash; Recapitalized by NTD 123,750 thousand from earnings; Recapitalized by NTD 70,000 thousand from capital surplus	N/A	N/A
1999.12	46	150,000,000	1,500,000,000	124,375,000	1,243,750,000	Capital increase in cash by NTD 250,000 thousand	N/A	N/A
2000.07	70	560,000,000	5,600,000,000	263,225,446	2,632,254,460	Capital increase by NTD 700,000	N/A	N/A

						thousand in cash; Recapitalized by NTD 439,754 thousand from earnings; Recapitalized by NTD 248,750 thousand from capital surplus		
2001.07	10	700,000,000	7,000,000,000	436,672,214	4,366,722,140	Recapitalized by NTD 1,023,759 thousand from earnings; Recapitalized by NTD 710,708 thousand from capit surplus	N/A	N/A
2002.05	10	870,000,000	8,700,000,000	436,672,214	4,366,722,140	Change of authorized capital stock	N/A	N/A
2002.07	10	870,000,000	8,700,000,000	447,879,749	4,478,797,490	Overseas convertibl bond: NTD 112,075 thousand	N/A	N/A
2002.10	10	870,000,000	8,700,000,000	452,591,205	4,525,912,050	Overseas convertible bond: NTD 47,115 thousand	N/A	N/A
2003.01	10	870,000,000	8,700,000,000	452,876,747	4,528,767,470	Overseas convertible bond: NTD 2,855 thousand	N/A	N/A
2003.04	14	870,000,000	8,700,000,000	556,871,604	5,568,716,040	NTD 1,039,949 thousand for private placement	N/A	N/A
2003.11	10	870,000,000	8,700,000,000	579,303,374	5,793,033,740	Overseas convertible bond: NTD 224,318 thousand	N/A	N/A
2004.01	10	870,000,000	8,700,000,000	687,905,995	6,879,059,950	Overseas convertible bond: NTD 1,086,026 thousand	N/A	N/A
2004.04	10	870,000,000	8,700,000,000	699,942,564	6,999,425,640	Overseas convertible bond: NTD 120,366 thousand	N/A	N/A
2004.08	10	1,090,000,000	10,900,000,000	754,955,164	7,549,551,640	Change of authorized capital stock; Recapitalized by NTD 550,126 thousand from earnings	N/A	N/A
2004.10	10	1,090,000,000	10,900,000,000	767,839,164	7,678,391,640	Exercise of employee stock option in exchange of new shares: NTD 128,840 thousand	N/A	N/A
2005.01	10	1,090,000,000	10,900,000,000	768,405,664	7,684,056,640	Exercise of employee stock option in exchange of new shares: NTD 5,665 thousand	N/A	N/A
2005.04	10	1,090,000,000	10,900,000,000	769,176,664	7,691,766,640	Exercise of	N/A	N/A

						employee stock option in exchange of new shares: NTD 7,710 thousand		
2005.07	10	1,090,000,000	10,900,000,000	781,266,164	7,812,661,640	Exercise of employee stock option in exchange of new shares: NTD 120,895 thousand	N/A	N/A
2005.08	10	1,090,000,000	10,900,000,000	907,897,897	9,078,978,970	Recapitalized by NTD 1,266,317 thousand from earnings	N/A	N/A
2005.10	10	1,090,000,000	10,900,000,000	912,958,739	9,129,587,390	Exercise of employee stock option in exchange of new shares: NTD 48,195 thousand Overseas convertible bond: NTD 2,413 thousand	N/A	N/A
2006.01	10	1,090,000,000	10,900,000,000	915,401,740	9,154,017,400	Exercise of employee stock option in exchange of new shares: NTD 14,535 thousand Overseas convertible bond: NTD 9,895 thousand	N/A	N/A
2006.04	10	1,090,000,000	10,900,000,000	955,024,900	9,550,249,000	Exercise of employee stock option in exchange of new shares: NTD 10,205 thousand Overseas convertible bond: NTD 386,027 thousand	N/A	N/A
2006.07	10	1,300,000,000	13,000,000,000	986,793,076	9,867,930,760	Change of authorized capital stock; Exercise of employee stock option in exchange of new shares: NTD 29,640 thousand Overseas convertible bond: NTD 288,042 thousand	N/A	N/A
2006.08	10	1,300,000,000	13,000,000,000	1,010,099,813	10,100,998,130	Exercise of employee stock option in exchange of new shares: NTD 6,085 thousand Overseas convertible bond: NTD 226,982	N/A	N/A

						thousand		
2006.08	10	1,300,000,000	13,000,000,000	1,089,670,967	10,896,709,670	Recapitalized by NTD 795,712 thousand from earnings	N/A	N/A
2006.10	10	1,300,000,000	13,000,000,000	1,090,079,967	10,900,799,670	Exercise of employee stock option in exchange of new shares: NTD 4,090 thousand	N/A	N/A
2007.01	10	1,300,000,000	13,000,000,000	1,090,543,467	10,905,434,670	Exercise of employee stock option in exchange of new shares: NTD 4,635 thousand	N/A	N/A
2007.04	10	1,300,000,000	13,000,000,000	1,091,078,967	10,910,789,670	Exercise of employee stock option in exchange of new shares: NTD 5,355 thousand	N/A	N/A
2007.07	10	1,300,000,000	13,000,000,000	1,091,594,467	10,915,944,670	Exercise of employee stock option in exchange of new shares: NTD 5,155 thousand	N/A	N/A
2007.08	10	1,500,000,000	15,000,000,000	1,214,696,675	12,146,966,750	Change of authorized capital stock; Recapitalized by NTD 1,231,022 thousand from earnings	N/A	N/A
2008.01	10	1,500,000,000	15,000,000,000	1,214,706,675	12,147,066,750	Exercise of employee stock option in exchange of new shares: NTD 100 thousand	N/A	N/A
2008.04	10	1,500,000,000	15,000,000,000	1,215,037,175	12,150,371,750	Exercise of employee stock option in exchange of new shares: NTD 3,305 thousand	N/A	N/A
2008.07	10	1,500,000,000	15,000,000,000	1,215,154,175	12,151,541,750	Exercise of employee stock option in exchange of new shares: NTD 1,170 thousand	N/A	N/A
2008.08	10	1,500,000,000	15,000,000,000	1,280,854,009	12,808,540,090	Recapitalized by NTD 656,998 thousand from earnings	N/A	N/A
2009.03	10	1,500,000,000	15,000,000,000	1,256,675,009	12,566,750,090	Capital decrease by NTD 241,790 thousand upon cancellation of treasury stock	N/A	N/A
2009.08	10	1,500,000,000	15,000,000,000	1,259,735,576	12,597,355,760	Recapitalized by NTD 30,606 thousand from earnings	N/A	N/A

2009.12	10	1,500,000,000	15,000,000,000	1,247,287,576	12,472,875,760	Capital decrease by NTD124,480 thousand upon cancellation of treasury stock	N/A	N/A
2010.05	10	1,500,000,000	15,000,000,000	1,237,287,576	12,372,875,760	Capital decrease by NTD 100,000 thousand upon cancellation of treasury stock	N/A	N/A
2010.12	10	1,500,000,000	15,000,000,000	1,224,410,576	12,244,105,760	Capital decrease by NTD 128,770 thousand upon cancellation of treasury stock	N/A	N/A
2011.01	10	1,500,000,000	15,000,000,000	1,245,037,914	12,450,379,140	Capital decrease by NTD 100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NTD 306,273 thousand	N/A	N/A
2011.04	10	1,500,000,000	15,000,000,000	1,272,549,545	12,725,495,450	Capital decrease by NTD 100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NTD 375,116 thousand	N/A	N/A
2011.07	10	1,500,000,000	15,000,000,000	1,274,814,783	12,748,147,830	Overseas convertible bond: NTD 22,652 thousand	N/A	N/A
2011.12	10	1,500,000,000	15,000,000,000	1,224,888,354	12,248,883,540	Capital decrease by NTD 500,000 thousand upon cancellation of treasury stock; Overseas convertible bond NTD 736 thousand	N/A	N/A
2012.04	10	1,500,000,000	15,000,000,000	1,197,544,282	11,975,442,820	Capital decrease by NTD 300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NTD 26,559 thousand	N/A	N/A
2012.07	10	1,500,000,000	15,000,000,000	1,170,241,900	11,702,419,000	Capital decrease by NTD 300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NTD 26,976 thousand	N/A	N/A
2012.10	10	1,500,000,000	15,000,000,000	1,186,889,400	11,868,894,000	New restricted employee shares: NTD 30,000	N/A	N/A

						thousand; Overseas convertible bond: NTD 136,475 thousand		
2013.01	10	1,500,000,000	15,000,000,000	1,190,751,900	11,907,519,000	Overseas convertible bond: NTD 38,625 thousand	N/A	N/A
2013.04	10	1,500,000,000	15,000,000,000	1,190,671,900	11,906,719,000	Cancellation of new restricted employee shares: NTD 800 thousand	N/A	N/A
2013.05	10	1,500,000,000	15,000,000,000	1,192,671,900	11,926,719,000	New restricted employee shares: NTD 20,000 thousand	N/A	N/A
2013.05	10	1,500,000,000	15,000,000,000	1,192,631,900	11,926,319,000	Cancellation of new restricted employee shares: NTD 400 thousand	N/A	N/A
2013.08	10	1,500,000,000	15,000,000,000	1,192,536,900	11,925,369,000	Cancellation of new restricted employee shares: NTD 950 thousand	N/A	N/A
2014.03	10	1,500,000,000	15,000,000,000	1,192,442,400	11,924,424,000	Cancellation of new restricted employee shares: NTD 945 thousand	N/A	N/A
2014.07	10	1,500,000,000	15,000,000,000	1,192,318,400	11,923,184,000	Cancellation of new restricted employee shares: NTD 1,240 thousand	N/A	N/A
2015.03	10	1,500,000,000	15,000,000,000	1,192,303,400	11,923,034,000	Cancellation of new restricted employee shares: NTD 150 thousand	N/A	N/A
2015.05	10	1,500,000,000	15,000,000,000	1,192,294,400	11,922,944,000	Cancellation of new restricted employee shares: NTD 90 thousand	N/A	N/A
2015.11	10	1,500,000,000	15,000,000,000	1,162,294,400	11,622,944,000	Capital decrease by NTD 300,000 thousand upon cancellation of treasury stock	N/A	N/A
2016.10	10	1,500,000,000	15,000,000,000	1,167,483,269	11,674,832,690	Overseas convertible bond: NTD 51,889 thousand	N/A	N/A
2017.03	10	1,500,000,000	15,000,000,000	1,171,173,138	11,711,731,380	Overseas convertible bond: NTD 36,899 thousand	N/A	N/A
2017.07	10	1,500,000,000	15,000,000,000	1,173,709,921	11,737,099,210	Overseas convertible bond: NTD 25,368 thousand	N/A	N/A
2017.10	10	1,500,000,000	15,000,000,000	1,206,542,676	12,065,426,760	Overseas convertible bond: NTD 328,328 thousand	N/A	N/A
2018.01	10	1,500,000,000	15,000,000,000	1,220,238,284	12,202,382,840	Overseas convertible bond: NTD 136,956	N/A	N/A

						thousand		
2018.04	10	1,500,000,000	15,000,000,000	1,221,277,681	12,212,776,810	Overseas convertible bond: NTD 10,394 thousand	N/A	N/A
2018.05	10	1,500,000,000	15,000,000,000	1,222,745,065	12,227,450,650	Overseas convertible bond: NTD 14,674 thousand	N/A	N/A

1. Registration of incorporation: The capital was NTD 7 million at the time of incorporation.
2. Capital increase in cash: Authorized capital stock NTD 9.5 million and paid-in capital NTD 9.5 million.
3. Capital increase in cash: (83) Jian-San-Bing-Zi No. 340845, authorized capital stock NTD 20.5 million and paid-in capital NTD 20.5 million.
4. Capital increase in cash: (84) Jian-San-Ren-Zi No. 487475, authorized capital stock NTD 30 million and paid-in capital NTD 30 million.
5. Capital increase in cash: (85) Jian-San-Jia-Zi No. 226939, authorized capital stock NTD 50 million and paid-in capital NTD 50 million.
6. Capital increase in cash: (86) Jian-San-Ding-Zi No. 162044, authorized capital stock NTD 90 million and paid-in capital NTD 90 million.
7. Capital increase in cash: Jing (86)-Shang-Zi No. 120076, authorized capital stock NTD 350 million and paid-in capital NTD 170 million.
8. Capital increase in cash: Jing (87)-Shang-Zi No. 130077, authorized capital stock NTD 350 million and paid-in capital NTD 350 million.
9. Capital increase in cash and recapitalization from earnings: Jing-Shou-Shang-Zi No. 087123302, authorized capital stock NTD 800 million and paid-in capital NTD 549.75 million.
10. Recapitalization from capital surplus: Jing-Shou-Shang-Zi No. 087128734, authorized capital stock NTD 800 million and paid-in capital NTD 650 million.
11. Capital increase in cash: Jing-Shou-Shang-Zi No. 087142402, authorized capital stock NTD800 million and paid-in capital NTD 700 million.
12. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 088127133, authorized capital stock NTD 1.5 billion and paid-in capital NTD 993.75 million.
13. Capital increase in cash: Jing-Shou-Shang-Zi No. 088143309, authorized capital stock NTD 1.5 billion and paid-in capital NTD 1.24375 billion.
14. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 089122231, authorized capital stock NTD 5.6 billion and paid-in capital NTD 2.63225446 billion.
15. Recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 09001276850, authorized capital stock NTD 7 billion and paid-in capital NTD 4.36672214 billion.
16. Upgraded the authorized capital stock to NTD 8.7 billion.
17. Jing-Shou-Shang-Zi No. 09101278670, authorized capital stock NTD 8.7 billion and paid-in capital NTD 4.47879749 billion.
18. Jing-Shou-Shang-Zi No. 09101442750, authorized capital stock NTD 8.7 billion and paid-in capital NTD 4.52591205 billion.
19. Jing-Shou-Shang-Zi No. 09201018710, authorized capital stock NTD 8.7 billion and paid-in capital NTD 4.52876747 billion.
20. Private placement securities: Jing-Shou-Shang-Zi No. 09201121500, authorized capital stock NTD 8.7 billion and paid-in capital NTD 5.56871604 billion.
21. Jing-Shou-Shang-Zi No. 09201322980, authorized capital stock NTD 8.7 billion and paid-in capital NTD 5.79303374 billion.
22. Jing-Shou-Shang-Zi No. 09301007670, authorized capital stock NTD 8.7 billion and paid-in capital NTD 6.87905995 billion.
23. Jing-Shou-Shang-Zi No. 09301060440, authorized capital stock NTD 8.7 billion and paid-in capital NTD 6.99942564 billion.
24. Jing-Shou-Shang-Zi No. 09301156810, authorized capital stock NTD 10.9 billion and paid-in capital NTD 7.54955164 billion.
25. Jing-Shou-Shang-Zi No. 09301201590, authorized capital stock NTD 10.9 billion and paid-in capital NTD 7.67839164 billion.
26. Jing-Shou-Shang-Zi No. 09401003210, authorized capital stock NTD 10.9 billion and paid-in capital NTD 7.68405664 billion.

27. Jing-Shou-Shang-Zi No. 09401060170, authorized capital stock NTD 10.9 billion and paid-in capital NTD 7.69176664 billion.
28. Jing-Shou-Shang-Zi No. 09401136480, authorized capital stock NTD 10.9 billion and paid-in capital NTD 7.81266164 billion.
29. Jing-Shou-Shang-Zi No. 09401161000, authorized capital stock NTD 10.9 billion and paid-in capital NTD 9.07897897 billion.
30. Jing-Shou-Shang-Zi No. 09401204350, authorized capital stock NTD 10.9 billion and paid-in capital NTD 9.12958739 billion.
31. Jing-Shou-Shang-Zi No. 09501007380, authorized capital stock NTD 10.9 billion and paid-in capital NTD 9.1540174 billion.
32. Jing-Shou-Shang-Zi No. 09501077070, authorized capital stock NTD 10.9 billion and paid-in capital NTD 9.550249 billion.
33. Jing-Shou-Shang-Zi No. 09501160380, authorized capital stock NTD 13 billion and paid-in capital NTD 9.86793076 billion.
34. Jing-Shou-Shang-Zi No. 09501163350, authorized capital stock NTD 13 billion and paid-in capital NTD 10.10099813 billion.
35. Jing-Shou-Shang-Zi No. 09501191840, authorized capital stock NTD 13 billion and paid-in capital NTD 10.89670967 billion.
36. Jing-Shou-Shang-Zi No. 09501232620, authorized capital stock NTD 13 billion and paid-in capital NTD 10.90079967 billion.
37. Jing-Shou-Shang-Zi No. 09601019120, authorized capital stock NTD 13 billion and paid-in capital NTD 10.90543467 billion.
38. Jing-Shou-Shang-Zi No. 09601078430, authorized capital stock NTD 13 billion and paid-in capital NTD 10.91078967 billion.
39. Jing-Shou-Shang-Zi No. 09601177990, authorized capital stock NTD 13 billion and paid-in capital NTD 10.91594467 billion.
40. Jing-Shou-Shang-Zi No. 09601199070, authorized capital stock NTD 15 billion and paid-in capital NTD 12.14696675 billion.
41. Jing-Shou-Shang-Zi No. 09701009440, authorized capital stock NTD 15 billion and paid-in capital NTD 12.14706675 billion.
42. Jing-Shou-Shang-Zi No. 09701089030, authorized capital stock NTD 15 billion and paid-in capital NTD 12.15037175 billion.
43. Jing-Shou-Shang-Zi No. 09701175060, authorized capital stock NTD 15 billion and paid-in capital NTD 12.15154175 billion.
44. Jing-Shou-Shang-Zi No. 09701200320, authorized capital stock NTD 15 billion and paid-in capital NTD 12.80854009 billion.
45. Jing-Shou-Shang-Zi No. 09801061510, authorized capital stock NTD 15 billion and paid-in capital NTD 12.56675009 billion.
46. Jing-Shou-Shang-Zi No. 09801180250, authorized capital stock NTD 15 billion and paid-in capital NTD 12.59735576 billion.
47. Jing-Shou-Shang-Zi No. 09801280260, authorized capital stock NTD 15 billion and paid-in capital NTD 12.47287576 billion.
48. Jing-Shou-Shang-Zi No. 09901106450, authorized capital stock NTD 15 billion and paid-in capital NTD 12.37287576 billion.
49. Jing-Shou-Shang-Zi No. 09901275210, authorized capital stock NTD 15 billion and paid-in capital NTD 12.24410576 billion.
50. Jing-Shou-Shang-Zi No. 10001010550, authorized capital stock NTD 15 billion and paid-in capital NTD 12.45037914 billion.
51. Jing-Shou-Shang-Zi No. 10001070130, authorized capital stock NTD 15 billion and paid-in capital NTD 12.72549545 billion.
52. Jing-Shou-Shang-Zi No. 10001157030, authorized capital stock NTD 15 billion and paid-in capital NTD 12.74814783 billion.
53. Jing-Shou-Shang-Zi No. 10001286450, authorized capital stock NTD 15 billion and paid-in capital NTD 12.24888354 billion.
54. Jing-Shou-Shang-Zi No. 10101055590, authorized capital stock NTD 15 billion and paid-in capital NTD 11.97544282 billion.
55. Jing-Shou-Shang-Zi No. 10101144030, authorized capital stock NTD 15 billion and paid-in capital NTD 11.702419 billion.
56. Jing-Shou-Shang-Zi No. 10101203850, authorized capital stock NTD 15 billion and paid-in capital NTD 11.868894 billion.

57. Jing-Shou-Shang-Zi No. 10201002850, authorized capital stock NTD 15 billion and paid-in capital NTD 11.907519 billion.
58. Jing-Shou-Shang-Zi No. 10201055970, authorized capital stock NTD 15 billion and paid-in capital NTD 11.906719 billion.
59. Jing-Shou-Shang-Zi No. 10201077850, authorized capital stock NTD 15 billion and paid-in capital NTD 11.926719 billion.
60. Jing-Shou-Shang-Zi No. 10201089780, authorized capital stock NTD 15 billion and paid-in capital NTD 11.926319 billion.
61. Jing-Shou-Shang-Zi No. 10201167530, authorized capital stock NTD 15 billion and paid-in capital NTD 11.925369 billion.
62. Jing-Shou-Shang-Zi No. 10301074130, authorized capital stock NTD 15 billion and paid-in capital NTD 11.924424 billion.
63. Jing-Shou-Shang-Zi No. 10301139200, authorized capital stock NTD 15 billion and paid-in capital NTD 11.923184 billion.
64. Jing-Shou-Shang-Zi No. 10401047430, authorized capital stock NTD 15 billion and paid-in capital NTD 11.923034 billion.
65. Jing-Shou-Shang-Zi No. 10401086750, authorized capital stock NTD 15 billion and paid-in capital NTD 11.922944 billion.
66. Jing-Shou-Shang-Zi No. 10401239940, authorized capital stock NTD 15 billion and paid-in capital NTD 11.622944 billion.
67. Jing-Shou-Shang-Zi No. 10501243690, authorized capital stock NTD 15 billion and paid-in capital NTD 11.67483269 billion.
68. Jing-Shou-Shang-Zi No. 10601033520, authorized capital stock NTD 15 billion and paid-in capital NTD 11.71173138 billion.
69. Jing-Shou-Shang-Zi No. 10601091290, authorized capital stock NTD 15 billion and paid-in capital NTD 11.73709921 billion.
70. Jing-Shou-Shang-Zi No. 10601144700, authorized capital stock NTD 15 billion and paid-in capital NTD 12.06542676 billion.
71. Jing-Shou-Shang-Zi No. 10701004040, authorized capital stock NTD 15 billion and paid-in capital NTD 12.20238284 billion.
72. Jing-Shou-Shang-Zi No. 10701034600, authorized capital stock NTD 15 billion and paid-in capital NTD 12.21277681 billion.
73. Jing-Shou-Shang-Zi No. 10701053680, authorized capital stock NTD 15 billion and paid-in capital NTD 12.22745065 billion.

2021.04.11 / Unit: share

Types of shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common stock	1,222,745,065	277,254,935	1,500,000,000	Including 30 million shares available for employee stock option certificates

Information relevant to the aggregate reporting policy: N/A.

(II) Shareholder structure

2021.04.11

Shareholder structure / Quantity	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and juristic (corporate) persons	Total
Persons	8	56	230	93,615	359	94,268

Shares held	72,577,050	225,193,904	101,127,135	463,777,742	360,069,234	1,222,745,065
Shareholding ratio (%)	5.94	18.41	8.27	37.93	29.45	100

(III) Distribution of equity

1. Common stock

Face value NT$10 per share; 2021.04.11

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1 to 999	28,499	3,161,038	0.26
1,000 to 5,000	52,350	106,452,909	8.71
5,001 to 10,000	7,307	59,440,036	4.86
10,001 to 15,000	1,891	24,161,526	1.98
15,001 to 20,000	1,307	24,594,657	2.01
20,001 to 30,000	1,097	28,418,230	2.32
30,001 to 50,000	752	30,575,882	2.49
50,001 to 100,000	510	37,478,109	3.07
100,001 to 200,000	229	32,427,421	2.65
200,001 to 400,000	118	33,249,001	2.72
400,001 to 600,000	49	24,773,478	2.03
600,001 to 800,000	17	11,925,324	0.98
800,001 to 1,000,000	19	17,149,073	1.40
Over 1,000,001	123	788,938,381	64.52
Total	94,268	1,222,745,065	100

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

2. The Company never issued any preference stock.

(IV) Major Shareholders

List of shareholders with a stake of 5 percent or greater, or of the top ten

Ended on April 11, 2021

Shares / Major Shareholders	Shares held	Shareholding ratio (%)
Yann Yuan Investment Co., Ltd.	52,600,000	4.30
Nan Shan Life Insurance Company	49,117,000	4.02
Yuanta/P-shares Taiwan Dividend Plus ETF	41,616,238	3.40
Fubon Life Insurance Co., Ltd.	36,957,000	3.02
China Life Insurance Co., Ltd.	34,039,000	2.78
Chin-Kung Lee	34,000,941	2.78
New Labor Pension Fund	30,438,000	2.49
United Microelectronics Corporation	23,157,696	1.89
Norges Bank	17,134,038	1.40
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	15,716,280	1.29

Total	334,776,193	27.38

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

(V) Per share information (including market price, net value, earnings, share dividend) during the most recent two years

Unit: NTD

Item			2021 (Note 5)	2020	2019
Market price per share	Highest		44.90	39.90	39.50
	Lowest		34.50	28.40	21.05
	Average		39.39	33.75	31.44
Net worth per share	Before distribution		-	23.98	21.42
	After distribution		-	(註 1)	19.62
EPS	Weighted average number of shares (1,000 shares) (After retrospection)		-	1,222,745	1,222,745
	EPS	Before adjustment (retroactive)	-	2.97	2.49
		After adjustment (retroactive)	-	(註 1)	2.49
Dividends per share	Cash dividend		-	2.00(註 1)	1.80
	Stock dividends	Out of earnings	-	-	-
		Out of additional paid-in capital	-	-	-
	Accumulated, unpaid dividends		-	-	-
ROI analysis	P/E ratio (Note 2)		-	11.25	12.29
	P/D ratio (Note 3)		-	16.70	16.99
	Cash dividend yield (Note 4)		-	0.060	0.059

Note 1: To be resolved during the general shareholders' meeting 2021.
Note 2: P/E ratio = Average closing price per share for the current year/Earnings per share.
Note 3: P/D ratio = Average closing price per share for the current year/Cash dividend per share.
Note 4: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.
Note 5: 2021 data was accurate as of April 11.

(VI) Dividend policy and implementation

1. The dividend policy defined by the Articles of Incorporation:

From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first set aside, and then 10% for legal reserve and then the sum for special reserve for provision or reversal to meet the Company's operating needs and as required by laws. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages proposed by the board of directors and resolved in the shareholders' meeting.

The Company's dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at the present moment and in the future. Shareholders' interest, balance of dividend payment and long-term financial planning of the Company shall also be taken into consideration by the board of directors when the board proposes the motion for allocation of stock dividends annually as required by law and presents the same before the general meeting of shareholders for ratification. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment in the future. The cash dividend allocated to shareholders in the current year shall be no less than 20% of the total dividends to the shareholders for the year.

2. Distribution of dividend proposed in the current shareholders' meeting:

Unit: NTD

Item	Amount		Projected dividend yield
Unallocated earnings – beginning		4,518,417,581	
Add: Net profit after tax	3,636,653,174		
Less: Confirmed actuarial gain/loss of welfare	(45,906,779)		
Add: Changes in equity of subsidiaries	5,040		
Add: Disposal of equity instrument at fair value through other comprehensive income	38,461,806		
The amount of net profit after tax for the period and the amount adjusted to the current year's undistributed earnings		3,629,213,241	
Less: Provision of 10% legal reserve		(362,921,324)	
Add: Reversed special reserve		200,990,693	
Allocable earnings		7,985,700,191	
Scope of allocation			
Dividends to shareholders – cash		2,200,941,117	NTD$1.8 per share
Total allocation		2,200,941,117	
Unallocated earnings – ending		5,784,759,074	
Note: 1. According to the Company's distribution policy, the allocable earnings for 2020 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year according to the first-in first-out			

policy in the order of the years in which the earnings were generated chronologically. 2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the board of directors' meeting was held. 3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NTD 1 included in the distribution shall be transferred to the employees' welfare committee. 4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the board of directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders. 5. The base date for allocation of cash dividends and matters thereto shall be set by the board of directors with authorization upon resolution by the general shareholders' meeting.

3. Expected change in dividend policy: N/A.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee and directors' remuneration

1. The percentage or range of remuneration to employees and directors specified in the Company's Charter:
   Subject to the profit sought for the current year, the Company shall allocate 8%–10% of the profit as the remuneration to employees, and no more than 1% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses if any.
2. The basis for estimating the amount of employee and director remuneration shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:
   The profit sought by the Company in 2020 totaled NTD 4,776,473,338 (namely, the earnings before tax less the remuneration to employees and directors). 8% thereof was allocated as the remuneration to employees in cash, i.e. NTD 382,117,867, and 0.8% thereof as the remuneration to directors, i.e. NTD 38,211,786. There was no difference from the estimated amount for 2020.
3. Board of directors passed remuneration distribution:
   (1) Remuneration to employees/directors in cash or shares. Any discrepancy between the annual recognized distributed amount and figure, the difference, reason and response should be disclosed: The 2020 remuneration to employees and directors resolved on the board meeting held on March 12, 2021 was NTD 382,117,867 and to NTD 38,211,786, respectively. There is no discrepancy with the 2020 estimates.
   (2) Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus remuneration

to employees in the entity or individual financial statement for the current period: N/A.

4. The actual distribution of remuneration to employees and directors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the estimated remuneration to employees and directors, additionally the discrepancy, cause, and how it is treated:

   The 2019 remuneration to employees and directors resolved on the board meeting held on March 13, 2020 was NTD 333,914,649 and to NTD 33,391,466, respectively. There is no discrepancy with the 2019 estimates.

(IX) Repurchase of the Company's shares: N/A.

II. Instance of corporate bonds: N/A.

III. Instance of preference shares: N/A.

IV. Issuance of Overseas Depository Receipts: N/A.

V. Issuance of Employee Stock Option Plan: N/A.

VI. Information about new restricted employee shares: N/A.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: N/A.

VIII. Implementation of Capital Utilization Plan: N/A.

Four. Overview of Operations

I. Business Contents

(I) Scope of business

1. Major lines of business: Design, manufacturing, test, accessories, processing, packaging and sale of various integrated circuits, manufacturing, processing and sale of various burn-in machines and spare parts thereof, and import and export of said products.
2. Weight of business lines: The Company was officially incorporated in May 1987 and primarily engaged in grinding, cutting, wire bonding and packaging of IC at the very beginning. Since 1996, the Company has successively added the testing services for various types of integrated circuits. Meanwhile, the Company invested funds to incorporate King Long Technology (Suzhou) Ltd. in 2002, and has also invested in Suzhou Zhen Kun Technology Ltd. since 2009, primarily in order to increase its package and test services for various integrated circuits in the territories of mainland China.

   The consolidated company's proportion of import/export for the most recent five years is stated as follows:

   In 2016, the proportion of import/export was 39.40% and 60.60% respectively.

   In 2017, the proportion of import/export was 34.94% and 65.06% respectively.

   In 2018, the proportion of import/export was 35.89% and 64.11% respectively.

   In 2019, the proportion of import/export was 34.48% and 65.52% respectively.

   In 2019, the proportion of import/export was 39.32% and 60.68% respectively.

Primary products/services and proportion of business in 2020

Unit: NTD thousand

Product line	Operating revenue	Weight of business (%)
Wafer test service	9,780,799	33.77
Integrated circuits test service	14,450,080	49.90
Others	4,728,425	16.33
Total	28,959,304	100.00

3. The Company's current primary products (services)

   Wafer grinding and dicing, test and package services (Logic, Memory, and mixed signals), Burn-in test and Turnkey Service.

4. New products (services) under development

   Wireless network IC test and package services, integrated IC test and package services, and power management IC test and package services.

(II) Industry Overview

1. Industry status and development

According to the questionnaire results of TSIA, ITRI's IEK statistics showed that the output value of Taiwan's entire IC industry amounted to NTD 881.7 billion (USD 29.8B) in Q4 of 2020 (20Q4) (including IC design, IC manufacturing, IC package and IC test), representing a growth of 1.7% from the previous quarter (20Q3) and a growth of 16.9% from the same period in last year (19Q4). The output value of the IC design industry was NTD 247 billion (USD 8.3B), growing by 1.4% from the previous quarter (20Q3) and growing by 30.6% from the same period last year (19Q4); the output value of the IC manufacturing industry was NTD 493.2 billion (USD 16.7B), growing by 2.6% from the previous quarter (20Q3) and 15.7% from the same period last year (19Q4), including that of the foundry amounting to NTD 436.9 billion (USD14.8B), growing by 1.3% from the previous quarter (20Q3) and 13.5% from the same period last year (19Q4), the memory and other products amounting to NTD 56.3 billion (USD 1.9B), growing by 14.7% from the previous quarter (20Q3) and growing by 36.7% from the same period last year (19Q4); the output value of the IC package industry was NTD 98 billion (USD 3.3B), declining by 1.0% from the previous quarter (20Q3) and growing 1.6% from the same period last year (19Q4); the output value of the IC test industry was NTD 43.5 billion (USD 1.5B), declining by 1.1% from the previous quarter (20Q3) and growing 2.4% from the same period last year (19Q4). The exchange rate of NTD against USD was 1:29.6. The test industry is identified as a capital-intensive advanced high-tech industry with considerable barriers to entry. Recently, the constant evolution of IC process and increasingly complicated functions have made the IC test become more and more important. Notwithstanding, due to the increasing capital expenditure, more and more leading IDMs and foundries have given up expansion of the back-end production capacity and contracted the IC test services to others. As a result, the professional test industry was booming.

For the IC package and test industry in 2021, the overall booming economy was due to gradual stabilization of the COVID-19 epidemic and the popularization of vaccines, coupled with sales recovery of electronic terminal products. Taiwan has the world's most advanced package and test and chip heterogeneous integration package and test technology which meet the demands of high integration and high-performance chips for global electronic terminal products. Taiwan's output value in the package and test industry is estimated at NTD 586.5 billion in 2021, a growth of 6.8% compared to that in 2020.

2. Association between upstream, midstream, and downstream industry participants

Upstream industry	IC design companies, foundries, and IDMs
Midstream industry	Testing equipment factories, package and test factories, and parts manufacturers
Downstream industry	IC resellers, IC design companies, and IDMs

3. Development trends and degree of competition for our products

The global semiconductor manufacturers moved their production bases to the territories of Asia in order to cut production costs. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given the increasing proportion of foundries carried out by IDMs and IC design companies in Taiwan and the multiple domestic and foreign wafer fabs that are going to be put into production, there should be few demands for commissioning domestic manufacturers to engage in the back-end test service, in consideration of the cost, delivery period and maintenance of core competitiveness.

According to the MIC report, the global top ten suppliers in the package and test industry by the scale of operating revenue in 2020 were ASE, Amkor, Changjiang Electronics Technology Co. Ltd., Powertech Technology Inc., Tongfu Microelectronics Co., Ltd., Huatian Technology Co., Ltd., King Yuan Electronics Co., Ltd. (KYEC), ChipMOS TECHNOLOGIES INC, Chipbond Technology Corporation and SFA.

The Company owns complete testing machines, which afford to provide such comprehensive IC test services as logic IC, mixed signal IC, memory IC, wireless network, driver IC and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers' need for one-stop purchase and to win the competitive niche for the Company's customers.

(III) Technology and R&D overview

4. R&D expenses during the most recent year and up to the date of publication of this annual report:

Unit: NTD thousand

Item/Year	As of March 31, 2021	2020
R&D expenditure	278,000	1,202,520
Net operating revenue	7,630,890	28,959,304
To operating revenue (%)	3.64	4.15

Note: The information is a self-closing figure of the consolidated information as of March 31, 2021.

5. Successfully developed technology or product during the most recent year and up to the date of publication of this annual report
   (1) Develop LiDAR CP/ FT testing solution.
   (2) AGV (Automated Guided Vehicle).
   (3) SLAM (Simultaneous Localization and Mapping).
   (4) Tray to Tape & Reel Vision Handle.
   (5) High-power burn-in furnace cooling system.
   (6) CIS CP 64 sties testing interface & docking.
   (7) Bowl feeder
   (8) Develop High Power Burn In Oven & Burn In Board.
   (9) Develop E-serial new generation logical tester.
   (10) Develop E-serial new generation CIS tester.
   (11) Develop MEMS Magnetic device wafer probing test solution and final test system.
   (12) Develop MEMS Pressure device test solution and system.
   (13) Develop MEMS Gyro device test solution and system.
   (14) Develop MEMS TPMS device test solution and system.
   (15) Build up design vertical probe card for probing fine pitch bumping wafer capability for 45 um fine pitch and QC equipment
   (16) Develop VCPC for Fine Pitch< 50um and High Speed > 56Gbps(success verify).
   (17) During 2018~2020 develop 386 case of difference design type of test board，and released to production 10,600 pcs of KYEC developing test board on our testing production line.

(IV) Long- and short-term business development plans

Short-term business development plan: Primarily intended to keep accelerating the expansion of the current market share, perfectly utilize the test platform's conversion technology, upgrade the production efficiency of the testing machines, cut the production cost, and expand the production capacity to perfectly provide the production capacity to the existing product lines' customers, including Memory, Logic, RF/Base Band, LCD Driver, Mixed-Signal and Image Sensor, etc.

Long-term business development plan: To be in line with the rapid growth of consumable electronics and the expansion of wireless applications, the Company is dedicated to developing the test services for such areas as LCD Driver, Digital TV, CMOS Sensor, Wireless, NAND Flash, DDRII, automotive IC and MEMS, etc., to support the application of TFT/STN, various hand-held or fixed sensors and wireless access points to such emerging markets as PC, NB, phone, access port, home digitalization, and automobiles. In the future, the Company will still keep investing in R&D of KGD and high-frequency test solutions. The Company will also develop its standard interface for tests to create its own competitive strength.

II. An Overview of Market and Sales

(I) Market analysis

Territories where main products (services) are sold (provided)

Unit: NTD thousand

Year	2020		2019	
Area	Domestic sales	Export sales	Domestic sales	Export sales
Sales value of primary products	Value	Value	Value	Value
Wafer test	4,031,282	5,749,517	3,807,606	4,484,181
Integrated circuits test	4,685,955	9,764,125	2,978,937	9,335,767
Others	2,669,702	2,058,723	2,019,045	2,913,901
Total	11,386,939	17,572,365	8,805,588	16,733,849

Market share

The Company's consolidated operating revenue amounted to NTD 28.96 billion in 2020, representing a growth of 13.4% from 2019 that topped among peers. The turnover of annual package and test services generated by it in 2020 ranked 7th place in the same trade in the world, securing the stable market share.

Future supply and demand in this market and growth outlook

Given IDMs' contracting their back-end needs to others successively and the increasing proportion of foundries carried out by domestic/foreign IC design companies in Taiwan, the demand for package and test services has been increasing day by day. Notwithstanding, in consideration of the cost, delivery period and quality, their production bases have been moved to the territories of Asia. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given this, it is expected to catch this amazing business opportunity.

According to the latest research reports from domestic/foreign leading institutions, as boosted by Macroeconomy, wireless communication solutions and consumable products, the need for outsourcing production by the global semiconductor market is expected to increase and thereby drive the development of the IC test service industry.

Competitive niche and positive factors for future development

1. Capital and technique intensive:

   Given the machine and equipment required by the test getting more and more expensive and at large quantity, the rapid upgrading of product hierarchy, shortage of domestic R&D talents and management teams with complete experience, and difficulty in establishing long-term cooperation relationship trusted by customers, it is not easy for potential competitors to enter the industry. The Company has been dedicated to establishing close cooperation relationship with domestic IC manufacturers and IC design companies actively permanently, and won the recognition and reliance from customers in its quality and delivery period.

2. Clear division-of-labor and outsourcing trend in the semiconductor industry

   Under the development trend for professional division of labor in the semiconductor industry, IDMs have gradually increased the proportion of production commissioned to professional OEMs in consideration of the operating cost and effect and financial risks. The domestic IC industry has brought the huge business opportunity to the IC downstream test service suppliers, when the foundry suppliers were expanding their international domains and IC design service suppliers were working hard to cooperate with the international leading manufacturers. The Company owns complete testing machines, which afford providing such comprehensive IC test services as logic IC, mixed signal IC, memory IC, sensor, wireless network and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers' need for one-stop purchase and to win the competitive niche for the Company's customers.

3. Economies of business scale and range of product line

The entire IC industry's development emphasizes the upstream IC design and IC manufacturing capabilities. Meanwhile, the on-site support by the IC back-end package and test services is also an important factor critical to enhancement of the IC industry's competitive strength. The depreciation expenses accounted for a high proportion of the cost in the package and test industry. The profitability and risk of loss may be decided relying on the product line portfolio and economies of scale. This may be considered as a competitive strength. The Company has engaged in the test industry for many years and, therefore, secured its solid position in the industry.

Negative factors for the prospects of our development and our corresponding strategy

1. Merger of competitors or alliance of upstream and downstream suppliers:

Successive expansion of domestic upstream IC manufacturers derived the massive demand for the back-end IC production process. Meanwhile, given the increasing economic recovery in the semiconductor industry and increasing proportion of outsourcing by IDMs, a lot of new IC test service providers allied with each other and, therefore, the competition will become more and more intensive in the market.

Corresponding strategy: (1) Provide integrated services which enable customers to receive the complete service for test, burn-in and product package by placing one order and thereby cut the entire production period.

(2) Establish long-term cooperative relationship with customers: The Company works hard to establish the long-term cooperative relationship with customers with its strength in quality, speed and cost, so that its production capacity could be utilized perfectly and stably.

(3) Strengthen technical capability: Make use of the Company's research team to improve the production process and research and develop new technology and products to increase the added value of products.

2. Strong capital demand:

Given the business expansion and expensive price of the new generation test equipment, IC test service providers have a strong demand for working capital and funds for investment in machinery and equipment.

Corresponding strategy: The Company raised consideration working capital through the Company's net cash inflow from operating activities to help the Company's development.

3. More capital investment, more business risk

The annual capital expenditure of the package and test industry frequently ranges between NTD 1 billion and NTD 10 billion. The annual depreciation expenses are tremendous in this industry. Given the fluctuation of the economy in the semiconductor industry, how to keep the Company seeking profit and avoiding loss is a critical business challenge.

Corresponding strategy: Be cautious in investing in machinery and equipment, purchase mainstream test equipment, invest in customers with high growth ability, and strengthen the integration of effects of test platforms to disperse the proportion of single customer.

(II) Main product applications and production processes

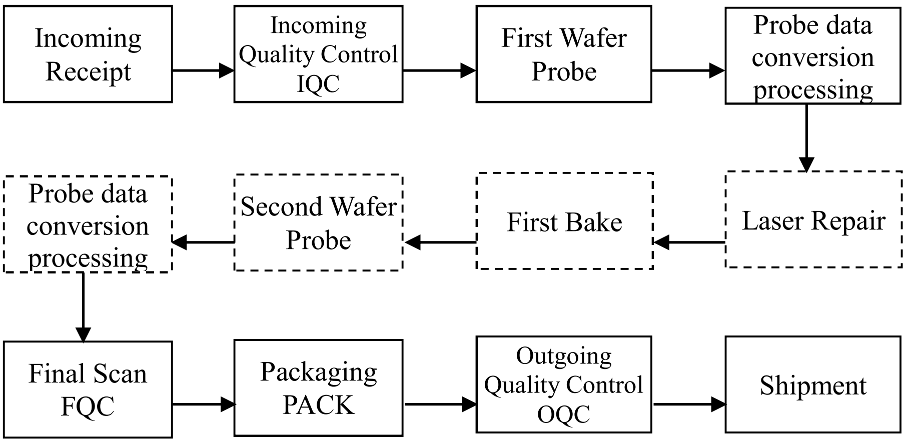
1. Important purpose of main products

Main products	Important purpose
Wafer probe	Primarily intended to check and test the defects in the waffle of the wafer before wafer grinding/dicing and waffle packing.
Wafer grinding/wafer dicing/waffle packing	After the wafer is ground and diced, the waffle is packed in the package process.
IC Final test	Primarily intended to verify whether such attributes of the IC products as function, speed, tolerance, electronic consumption, electronic emission and heat diffusion satisfy the relevant standards.
Burn-in	The selection in infant mortality period to promptly remove infant mortality products with manufacturing defects and ensure product quality.
Lead Scan & Reform/Backend Services	Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service.
Package/test shipment	For the incoming from customers - e.g. chips, package/test the shipment after grinding and dicing. - e.g. in the case of waffle, package/test the shipment after packing/probing.

2. Production process of main products

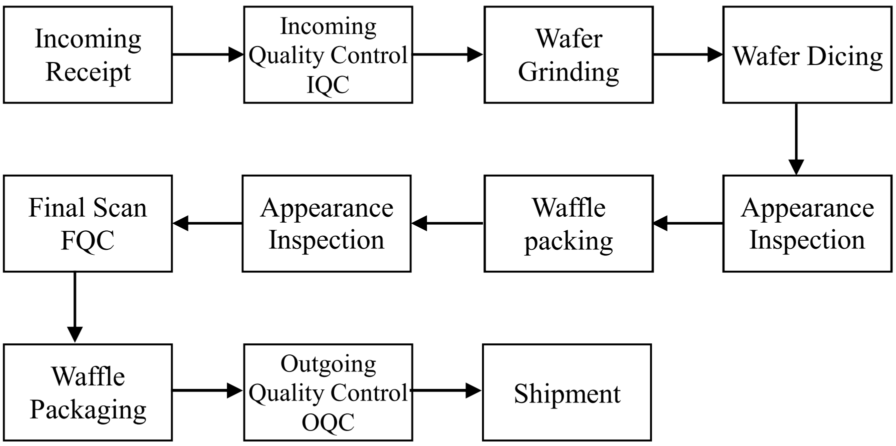
A. Wafer probing

Wafer probing refers to a process dedicated to test wafers to screen accepted and defective goods. The probing result refers to an important basis for the IC assembly, and may serve as the reference and evidence for the yield review in the front-end wafer process. The wafer probing is stated as follows:



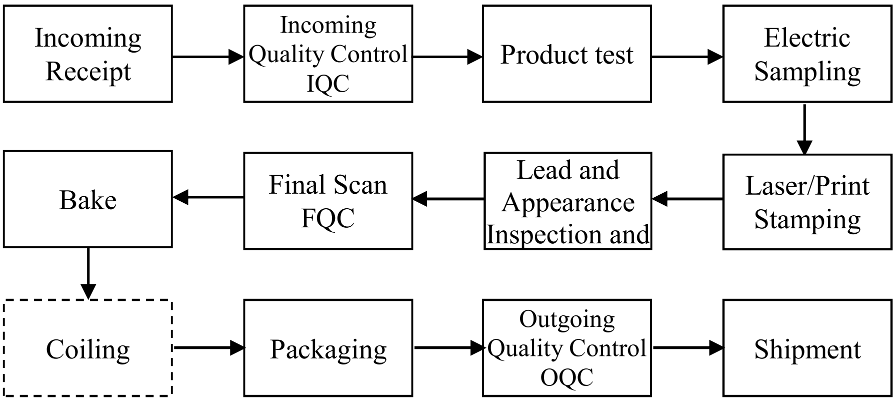
B. Wafer grinding/wafer dicing/waffle packing

The wafer grinding/dicing is primarily intended to grind the finished IC to a specified thickness, and then dice the same to dies for the following wire bonding and package. The main process thereof is stated as follows:



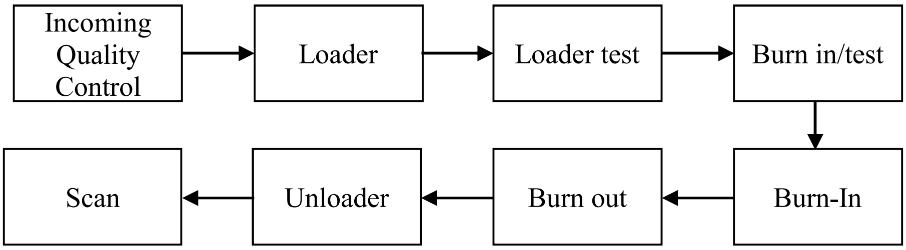
C. IC product testing procedures

The final test is intended to test the packaged IC to distinguish the product quality. The IC passing the test is identified as the finished goods. The conditions for the final test vary depending on the functions of various products. The typical final testing is stated as follows:



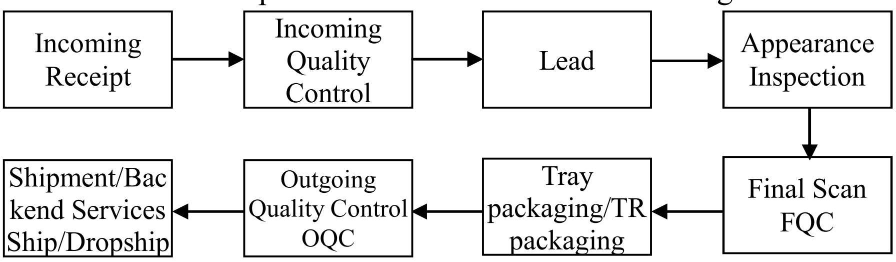
D. Burn-in

Burn-in is intended to test the reliability of IC products and screen infant mortality ones by accelerated test. The main process thereof is stated as follows:



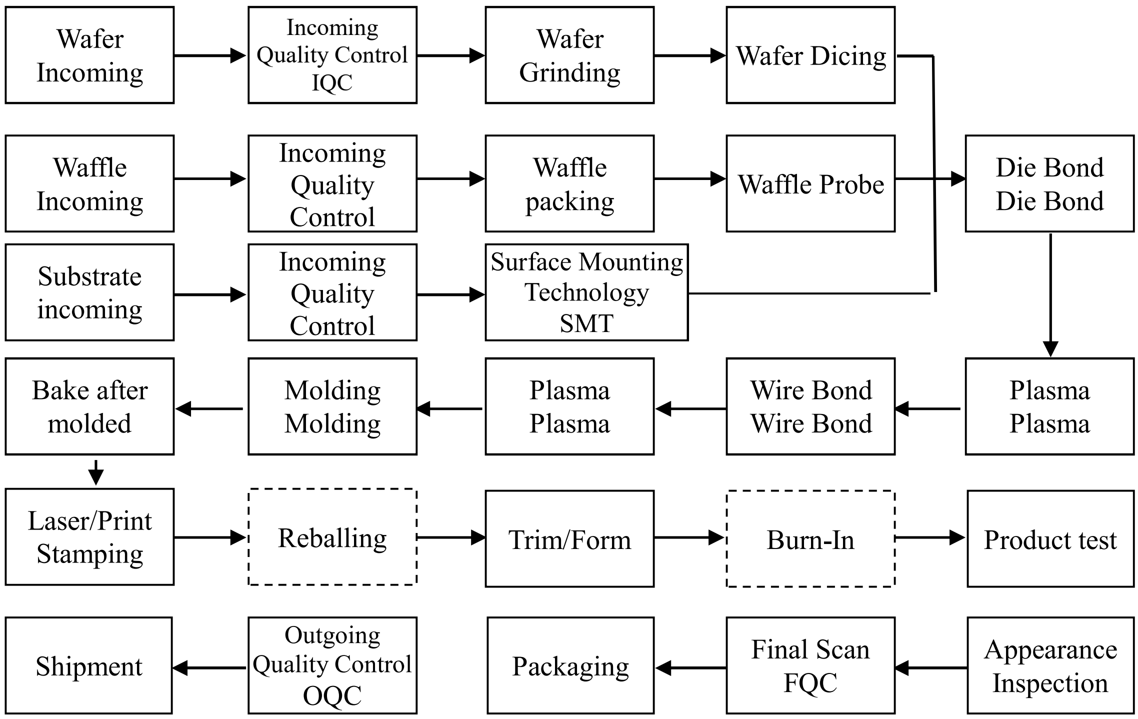
E. Lead/dropship

Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service. The main process thereof is stated as following:



F. Package and Test Shipment

The Company's main package/test products include SIP (SSD/PATA/SATA), MSD/HSSD/UFD, QFN, TSOP, BGA and eMMC. Through the overall integrated circuit package and test services provided by the Company, the customers' products may be applied to such products as information, communication, office automation, automotive electronics and consumable electronics successfully. The main process thereof is stated as following:



(III) Supply of main raw materials

The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about supply of main raw materials.

(IV) Information about customers accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the two most recent fiscal years

1. Information about main suppliers: N/A.

Unit: NTD thousand

Item	2020				2019			
	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer
	Net purchases	3,437,614	100	-	Net purchases	3,206,947	100	-

2. Information about main customers:

Unit: NTD thousand

Item	2020				2019			
	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer
1	MEDIATEK INC.	2,917,792	10	Note	MEDIATEK INC.	1,967,302	8	Note
	Net sales	28,959,304	100	-	Net sales	25,539,437	100	-

Note: The Company's Chairman is a relative within 2nd degree of kinship with that company's chairman.

Explanation of the reason for increases or decreases

Most of the Company's main customers remained stable from 2019 to 2020. Generally, there was no significant difference arising. Most of the Company's main customers were renowned semiconductor design companies and semiconductor manufacturers. The Company also maintained the long-term stable relationship with the customers.

(V) Production volume and value in the latest two years

Quantity: Thousand (pcs)
Unit: thousand

Year Production volume and value Main Product	2020			2019		
	Production capacity	Quantity	Production value	Production capacity	Quantity	Production value
Wafer test	8,748	4,804	6,745,441	7,438	4,001	5,994,795
Integrated circuits test	17,426,979	9,847,899	11,654,576	12,670,391	7,517,637	8,639,645
Others	3,737,403	2,794,221	4,341,049	4,246,762	3,103,545	5,180,625
Total	-	-	22,741,066	-	-	19,815,065

(VI) Sales volume and value in the last two years

Quantity: Thousand (pcs)
Unit: thousand

Year Production volume and value Main Product	2020				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer test	3,053	4,031,282	1,706	5,749,517	2,800	3,807,606	1,235	4,484,181
Integrated circuits test	4,981,084	4,685,955	4,788,103	9,764,125	4,052,650	2,978,937	3,313,147	9,335,767
Others	1,073,468	2,669,702	1,649,645	2,058,723	1,047,487	2,019,045	2,035,791	2,913,901
Total	-	11,386,939	-	17,572,365	-	8,805,588	-	16,733,849

III. Information about the employees

Employee Information for the Most Recent Two Years and Up to the Publication of this Annual Report

Year		2019	2020	As of February 28, 2021
Number of employees	Direct employees	3,058	3,103	3,076
	Indirect employees	4,041	4,172	4,154
	Total	7,099	7,275	7,230
Average age		34.1	34.4	34.6
Average years of service		6.5	6.8	6.9
Academic background percentage (%)	Ph. D.	0.04	0.04	0.06
	Master's degree	10.72	10.31	10.25

	University/college	69.60	71.2	71.3
	Senior high school	18.68	17.53	17.47
	Less than senior high school	0.96	0.92	0.93

IV. Information on Environmental Protection Expenses

(I) Describe any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions)

No losses or fines were incurred due to pollution of the environment that should be borne by the Company.

(II) The estimate of possible expenses that could be incurred currently and in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company continued to establish multiple energy-saving projects in 2020, and the actual expenditure thereof was about NTD 5,208 thousand.

(III) Whether the Company has established any energy-saving and carbon-reduction, GHG reduction, water-saving or other waste management policies?

1. The Company's Chu-Nan Factory, Tongluo Factory and the assembly factory have established the ISO50001 (energy management system) and ISO14064 greenhouse gas inventory.
2. Chu-Nan Factory recovered approximately 510,000 tons of wastewater through 2020.
3. The energy-saving projects were implemented in whole factories in 2020 and a total of 5,950,000 kWh were saved. The benefit generated therefor amounted to NTD 14.87 million.
4. The Company continued to implement the energy-saving project in 2021, and about 5,340,000 kWh are expected to be saved accordingly.
5. Each factory passed the ISO14001 for environmental management, followed the local competent authorities' policies, and sought recycling methods to mitigate the burden imposed by the waste on the

environment.

V. Employer and employee relationships

(I) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between the labor force and management, and all measures aimed at preserving the rights and interests of employees

1. Employee benefits, continuing education, training
   - A. Employees' Welfare Committee: The Company established the employees' welfare committee on September 2, 1993 to engage in planning various employees' welfare policies.

     The committee provides the following subsidies:
     - a. Childbirth
     - b. Gift certificates for three major festivals (Lunar Chinese New Year, Dragon Boat Festival and Moon Festival)
     - c. Gift certificates for birthdays
     - d. Contracted store discounts
     - e. Marriage gifts
     - f. Funeral consolation
     - g. Injury and sickness
     - h. Company meal parties
     - i. Club activity subsidies
     - j. Periodic organization of various activities and competitions
     - k. Free massage service
     - l. On-site coffee bar service
     - m. On-site convenience store & shopping discounts
   - B. Other benefits
     - a. Remuneration to employees

       Provide the allocation of incentive compensation for employees subject to their personal performance to share earnings with all colleagues.
     - b. Free periodic health checkup

       The Company values the employees' health very much and arranges the employees to take the free health checkup periodically.
     - c. Provide diversified activities

       Encourage the colleagues to relax and adjust themselves physically and mentally besides the routine work through diversified activity design.
     - d. Medical room and free medical consultation with specialists

e. Provide colleagues who are away from home with the employee dormitory (equipped with bed, chair and desk, closet, air conditioner and Wi-Fi)
f. Canteen and meal allowance
g. Reading room, books and magazines, and publications loan service (regular subscription for multiple domestic/foreign books, newspapers and magazines, etc.)
h. Parking lots for cars and motorcycles
i. Incentives to senior employees (with the seniority of 5 years and 10 years)
j. Selection of model employees and reward to the model employees
k. Subsidies to the budget of department activities

C. Continuing education/training

The Company is used to sparing no efforts in training talents and developing employees' ability. Therefore, the Company believes that talents are one of the important assets to the Company and also a critical factor in deciding the Company's competitive strength and weakness. In order to achieve the goal to train talents, the Company's training system combines the Company's vision, mission, strategy, and core values, and constructs the core competency and management competency required for the various job ranks and required courses to be taken by them based on the analysis information. The Company's training system is categorized into in-house training, off-site training, in-service training, self-inspiration and so on.

For new employees, the Company establishes the tutorship system to train and certify their work skills to ensure the quality of the test operations. For the staff engaged in production and operation technicians, the skill test should be conducted each year to ensure improving and correcting work skills. The high-rank management should tutor and promote the management talents in person to upgrade the effectiveness of both theoretical and practical management. Meanwhile, the Company works hard to promote its core value, build common values and philosophy, and enhance its performance and foundation of competitiveness.

The training is intended to upgrade the inspiration to the colleagues in knowledge and technology, and also to shape the Company's corporate culture, core values and organizational common view. In the future, when facing the changeable environment, the Company will continue to uphold its lifelong-learning philosophy to fulfill the purpose for holistic education.

2. Retirement system and the status of its implementation:

   In order to take care of the employees' life after retirement, facilitate the labor–management relations and improve work efficiency, the Company established the supervisory committee of the Workers' Pension Preparation Fund pursuant to laws. The committee shall supervise the deposit and disbursement of the Fund, and provide pension reserves at 2% of the total monthly salary and deposit the same at the Bank of Taiwan on a monthly basis pursuant to the relevant requirements. As of July 1, 2005, the employees who apply the new system should contribute the pension at 6% of their personal monthly salary to be deposited at the personal pension account opened in the Bureau of Labor Insurance.

3. Labor–management agreement

   In addition to complying with the Labor Standard Act, the Company also sets up the employee's message board and opinion mailbox, and organizes periodic labor–management meetings and employee symposium, etc. The Company values employees' opinions and appoints dedicated personnel to process the opinions. The communication channel between the labor and management is so smooth that the relationship between the labor and management is considered harmonious.

4. Measures for preserving employees' interests and rights

   The Company treats its employees in good faith and with respect, stabilizes the employees' lives and improves the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees. By aligning with the Company's policies, the employees can fully exert the spirit and effectiveness of teamwork, so that the relationship between the labor force and management is full of harmony.

(II) Describe any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None**.**

VI. Important Contracts

(I) Supply and distribution contracts

Contract nature	Duration	Main contents	Restrictive terms
Processing contract	2020.01~	Test & processing	Confidentiality of a third party's business

(II) Technologies cooperation contracts

Contract nature	Duration	Main contents	Restrictive terms
Cooperation agreement	2020.01.06 – 2025.01.05	Equipment development contract	Confidentiality of a third party's business

(III) Engineering contracts

Contract nature	Counterparty	Duration	Main contents
Construction contract	Jiu Han Engineering Co., Ltd.	2020.01.05 – 2020.06.25	CH5 MEP system construction
Construction contract	Jiu Han Engineering Co., Ltd.	2020.04.27 – 2020.06.15	TL2 4F clean room (1190.084 square meters) 4-phase construction
Construction contract	WEI SHUN ARCHITECTURE	2020.07.30 – 2020.09.15	CH5 Construction of new garbage/resources recycling field on north side
Construction contract	Jiu Han Engineering Co., Ltd.	2020.07.13 – 2020.08.31	CH5 MEP 1-2 phase system construction
Construction contract	Jiu Han Engineering Co., Ltd.	2020.08.01 – 2020.09.30	CH5 3F clean room (2,849.590 square meters) new construction
Construction contract	Jiu Han Engineering Co., Ltd.	2020.08.24 – 2020.12.31	TL2 MEP piping construction for additional factory equipment
Construction contract	Jiu Han Engineering Co., Ltd.	2020.08.21 – 2020.12.31	CH1 Hook up and CDA main line construction for new established air compressor and dryer
Construction contract	Alpha Information Systems, Inc.	2020.09.14 – 2020.10.31	CH5 3F FMCS monitor system construction
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2020.09.24 – 2020.12.31	CH5 3F Machine hook up construction

(IV) Long-term loan contracts

Unit: NTD thousand

Contract nature	Counterparty	Duration	Interest rate (%)	Amount
Loan	Taiwan Business Bank	2020.03.11 – 2022.03.11	0.571731	USD15,000
Loan	Land Bank of Taiwan	2021.02.05 – 2023.02.05	0.8	USD6,000
Loan	Taichung Commercial Bank	2020.08.17 – 2022.08.17	0.6131	USD1,230
Loan	The Shanghai Commercial & Savings Bank	2021.03.27 – 2023.03.27	0.83	USD4,212
Loan	The Shanghai Commercial & Savings Bank	2021.03.19 – 2023.03.19	0.83	USD32,000
Loan	Bank of China Limited	2020.10.15 – 2022.10.14	0.55	USD30,000
Loan	HSBC Bank (Taiwan) Limited	2020.10.27 – 2022.10.27	0.88	USD30,531
Loan	MUFG Bank	2020.12.04 – 2022.12.04	0.67	USD2,000
Loan	Cathay United Bank Co., Ltd.	2020.12.25 – 2022.12.25	0.67	USD8,000
Loan	Taiwan Shin Kong Commercial Bank Co., Ltd.	2020.01.31 – 2022.12.11	0.71	USD10,000
Loan	Mizuho Bank	2021.01.01 – 2023.01.01	0.72	NTD500,000
Loan	KGI Bank	2020.07.15 – 2024.07.15	0.986	NTD360,000
Loan	Bank of Taiwan	2020.09.22 – 2022.09.22	0.89	NTD100,000
Loan	Bank of Taiwan	2020.01.20 – 2024.01.20	1.1203	NTD1,200,000
Loan	First Commercial Bank	2020.07.20 – 2022.07.20	0.74	USD438
Loan	First Commercial Bank	2020.01.20 – 2025.01.20	1.16	NTD895,497
Loan	Chang Hwa Commercial Bank	2020.01.20 – 2025.01.20	1.10978	NTD695,000
Loan	O-Bank Co., Ltd.	2020.02.07 – 2025.02.07	1.0886	NTD214,286
Loan	Taishin International Bank	2020.02.07 – 2023.02.07	1.09	NTD1,300,000
Loan	Taipei Fubon Commercial Bank Co., Ltd	2020.02.07 – 2023.02.07	1.141416	NTD400,000
Loan	Far Eastern International Bank	2020.02.07 – 2023.02.07	1.015	NTD1,100,000
Loan	CTBC BANK Co., Ltd.	2020.02.07 – 2024.02.07	1.1942	NTD300,000
Loan	Mega International Commercial Bank	2020.09.18 – 2022.09.18	0.7	USD11,000

Loan	Mega International Commercial Bank	2020.02.07 – 2025.02.07	1.08	NTD680,000
Mortgage loan	D14.2 billion syndicated loan of Mega Bank	2018.12.07 – 2023.12.06	1.2477	NTD5,680,000
Mortgage loan	D12 billion syndicated loan of Mega Bank	2020.10.12 – 2025.10.11	1.1477	NTD1,700,000

(V) Other contracts that would affect shareholders' equity: None.

Five. Overview of finance

I. Condensed balance sheets and statements of comprehensive income for the past five fiscal years, the name of the certified public accountant and the auditor's opinion given

(I) Condensed balance sheet

Condensed consolidated balance sheet

Unit: NTD thousand

Item \ Year		Financial information in the most recent five (5) years				
		2020	2019	2018	2017	2016
Current assets		15,811,876	13,890,983	12,625,373	11,505,395	11,785,560
Property, plant and equipment		39,147,575	36,890,887	31,907,296	26,657,896	28,684,252
Intangible assets		86,442	73,795	171,062	44,915	31,619
Other assets		6,269,625	4,223,484	2,452,028	2,950,038	3,185,667
Total assets		61,315,518	55,079,149	47,155,759	41,158,244	43,687,098
Current liabilities	Before distribution	8,219,797	7,900,969	5,401,904	7,008,005	5,586,934
	After distribution	(Note 1)	10,101,910	7,052,610	9,206,305	7,695,045
Non-current liabilities		23,769,645	20,979,726	17,234,003	9,098,245	14,397,125
Total liabilities	Before distribution	31,989,442	28,880,695	22,635,907	16,106,250	19,984,059
	After distribution	(Note 1)	31,081,636	24,286,613	18,304,550	22,092,170
Total equity attributable to the owner of parent company		29,319,071	26,191,939	24,477,111	25,046,336	23,697,577
Capital stock		12,227,451	12,227,451	12,227,451	12,202,383	11,674,833
Additional paid-in capital		4,588,172	4,832,721	4,844,536	5,327,372	4,965,413
Retained earnings	Before distribution	11,206,995	9,534,173	8,208,297	7,746,405	7,241,924
	After distribution	(Note 1)	7,333,232	6,557,591	6,036,616	5,133,813
Other equities		1,296,453	(402,406)	(803,173)	(229,824)	(184,593)
Treasury stock		-	-	-	-	-
Non-controlling equity		7,005	6,515	42,741	5,658	5,462
Total equity	Before distribution	29,326,076	26,198,454	24,519,852	25,051,994	23,703,039
	After distribution	(Note 1)	23,997,513	22,869,146	22,853,694	21,594,928

Note 1: To be resolved during the general shareholders' meeting 2021.
Note 2: Financial statements for 2016-2020 have been audited and certified by the CPA.

Condensed Summary Balance Sheet of Individual Entity

Unit: NTD thousand

Item \ Year		Financial information in the most recent five (5) years				
		2020	2019	2018	2017	2016
Current assets		11,351,866	11,104,729	10,682,961	9,408,719	9,646,213
Property, plant and equipment		31,370,700	30,379,042	28,321,210	23,397,902	25,387,917
Intangible assets		80,159	66,148	162,619	43,316	30,142
Other assets		12,132,949	8,891,473	7,087,793	7,505,850	7,739,301
Total assets		54,935,674	50,441,392	46,254,583	40,355,787	42,803,573
Current liabilities	Before distribution	5,527,248	6,290,525	4,666,325	6,359,967	4,999,212
	After distribution	(Note 1)	8,491,466	6,317,031	8,558,267	7,107,323
Non-current liabilities		20,089,355	17,958,928	17,111,147	8,949,484	14,106,784
Total liabilities	Before distribution	25,616,603	24,249,453	21,777,472	15,309,451	19,105,996
	After distribution	(Note 1)	26,450,394	23,428,178	17,507,751	21,214,107
Capital stock		12,227,451	12,227,451	12,227,451	12,202,383	11,674,833
Additional paid-in capital		4,588,172	4,832,721	4,844,536	5,327,372	4,965,413
Retained earnings	Before distribution	11,206,995	9,534,173	8,208,297	7,746,405	7,241,924
	After distribution	(Note 1)	7,333,232	6,557,591	6,036,616	5,133,813
Other equities		1,296,453	(402,406)	(803,173)	(229,824)	(184,593)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	29,319,071	26,191,939	24,477,111	25,046,336	23,697,577
	After distribution	(Note 1)	23,990,998	22,826,405	22,848,036	21,589,466

Note 1: To be resolved during the general shareholders' meeting 2021.

Note 2: Financial statements for 2016-2020 have been audited and certified by the CPA.

(II) Condensed comprehensive income statement

Condensed consolidated comprehensive Income Statements

Unit: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2020	2019	2018	2017	2016
Operating revenue	28,959,304	25,539,437	20,815,369	19,686,911	20,081,683
Gross profit	7,953,988	7,015,916	5,363,698	5,782,405	5,929,167
Operating profit (loss)	4,650,711	4,045,014	2,719,681	3,466,624	3,701,931
Non-operating revenue and expense	(107,056)	(130,151)	(330,123)	(531,459)	(111,648)
Net profit before tax	4,543,655	3,914,863	2,389,558	2,935,165	3,590,283
Continuing departments net income – current period	3,637,140	3,041,484	1,793,890	2,234,080	2,981,777
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) – current period	3,637,140	3,041,484	1,793,890	2,234,080	2,981,777
Other comprehensive income (net after tax) – current period	1,691,418	343,585	(245,673)	(134,992)	(432,787)
Total comprehensive income – current period	5,328,558	3,385,069	1,548,217	2,099,088	2,548,990
Net profit attributable to the owner of parent	3,636,653	3,041,566	1,795,344	2,233,646	2,981,198
Net profit attributable to non-controlling equity	487	(82)	(1,454)	434	579
Comprehensive income attributable to the owner of parent	5,328,068	3,385,203	1,549,371	2,098,892	2,548,408
Comprehensive income attributable to non-controlling equity	490	(134)	(1,154)	196	582
EPS	2.97	2.49	1.47	1.88	2.56

Note: Financial statements for 2016–2020 have been audited and certified by the CPA.

Condensed Comprehensive Income Statement of Individual Entity

Unit: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2020	2019	2018	2017	2016
Operating revenue	23,344,758	21,845,844	18,469,742	17,532,168	17,937,593
Gross profit	6,063,978	5,736,588	4,844,342	5,217,767	5,407,242
Operating profit (loss)	3,405,804	3,237,339	2,672,603	3,308,786	3,583,651
Non-operating revenue and expense	961,563	577,772	(318,946)	(398,164)	(14,594)
Net profit before tax	4,367,367	3,815,111	2,353,657	2,910,622	3,569,057
Continuing departments net income – current period	3,636,653	3,041,566	1,795,344	2,233,646	2,981,198
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) – current period	3,636,653	3,041,566	1,795,344	2,233,646	2,981,198
Other comprehensive income (net after tax) – current period	1,691,415	343,637	(245,973)	(134,754)	(432,790)
Total comprehensive income – current period	5,328,068	3,385,203	1,549,371	2,098,892	2,548,408
EPS	2.97	2.49	1.47	1.88	2.56

Note: Financial statements for 2016–2020 have been audited and certified by the CPA.

(III) Names of certified public accountant and audit opinions in the recent five years

Year	Certified Public Accountant (CPA)	Contents of the opinion	Remarks
2016	Ernst & Young Chia-Ling Tu Chin-Lai Wang	Unqualified opinion	-
2017	Ernst & Young Chia-Ling Tu Shao-Pin Kuo	Unqualified opinion	-
2018	Ernst & Young Shao-Pin Kuo Wen-Fun Fuh	Unqualified opinion	-
2019	Ernst & Young Shao-Pin Kuo Wen-Fun Fuh	Unqualified opinion	-
2020	Ernst & Young Shao-Pin Kuo Wen-Fun Fuh	Unqualified opinion	-

II. Financial analysis in the most recent five years

Financial analysis consolidated statements

Analysis items / Year		Financial analysis in the most recent five years				
		2020	2019	2018	2017	2016
Financial structure %	Ratio of liabilities to assets	52.17	52.43	48.00	39.13	45.74
	Ratio of long-term capital to property, plant and equipment	131.02	125.03	129.35	126.43	131.56
Solvency (%)	Current ratio	192.36	175.81	233.72	164.18	210.95
	Quick ratio	174.60	158.68	200.52	151.59	196.69
	Times Interest Earned Ratio	12.99	13.56	12.66	15.85	19.62
Operational ability	Receivables turnover (time)	4.86	4.45	4.16	4.26	4.73
	Average cash collection days	75	82	88	86	77
	Inventory turnover (times)	19.25	16.44	18.95	23.83	25.48
	Payables turnover (time)	18.85	15.88	16.44	21.32	23.48
	Average inventory turnover days	19	22	19	15	14
	Property, plant and equipment turnover (time)	0.76	0.74	0.71	0.71	0.74
	Total assets turnover (time)	0.50	0.50	0.47	0.46	0.48
Profitability	Return on assets (%)	6.77	6.44	4.43	5.65	7.47
	Return on equity (%)	13.10	11.99	7.24	9.16	12.95
	Ratio of income before tax to paid-in capital (%)	37.16	32.02	19.54	24.05	30.75
	Net profit margin (%)	12.56	11.91	8.62	11.35	14.85
	EPS (NTD)	2.97	2.49	1.47	1.88	2.56
Cash flow	Cash flow ratio (%)	150.89	137.12	156.02	129.50	149.47
	Cash flow adequacy ratio (%)	87.39	85.75	83.43	88.93	90.43
	Cash reinvestment ratio (%)	7.90	7.84	5.72	7.15	7.18
Leverage	Operating leverage	2.81	2.75	3.47	2.83	2.51
	Financial leverage	1.09	1.08	1.08	1.06	1.05
The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Analysis is not required if the magnitude of increase or decrease is less than 20%) The changes in financial rates did not reach 20%.						

Note: Financial figures for 2016–2020 were based on the financial statements audited and certified by the CPA.

Individual Statement of Financial Analysis

Analysis items	Year	Financial analysis in the most recent five years				
		2020	2019	2018	2017	2016
Financial structure %	Ratio of liabilities to assets	46.63	48.07	47.08	37.94	44.64
	Ratio of long-term capital to property, plant and equipment	151.85	141.99	145.14	143.38	147.48
Solvency (%)	Current ratio	205.38	176.53	228.94	147.94	192.95
	Quick ratio	189.11	158.84	201.88	137.70	180.86
	Times Interest Earned Ratio	21.07	16.92	13.29	16.63	21.28
Operational ability	Receivables turnover (time)	4.83	4.50	4.14	4.26	4.77
	Average cash collection days	76	81	88	86	77
	Inventory turnover (times)	19.28	16.97	20.50	26.75	28.66
	Payables turnover (time)	21.30	17.85	18.66	25.49	28.53
	Average inventory turnover days	19	22	18	14	13
	Property, plant and equipment turnover (time)	0.76	0.74	0.71	0.72	0.75
	Total assets turnover (time)	0.44	0.45	0.43	0.42	0.44
Profitability	Return on assets (%)	7.23	6.69	4.50	5.74	7.62
	Return on equity (%)	13.10	12.01	7.25	9.16	12.95
	Ratio of income before tax to paid-in capital (%)	35.72	31.20	19.25	23.85	30.57
	Net profit margin (%)	15.58	13.92	9.72	12.74	16.62
	EPS (NTD)	2.97	2.49	1.47	1.88	2.56
Cash flow	Cash flow ratio (%)	175.76	157.85	171.16	133.60	157.86
	Cash flow adequacy ratio (%)	91.18	91.17	85.71	89.64	91.36
	Cash reinvestment ratio (%)	6.40	7.70	5.62	6.96	7.12
Leverage	Operating leverage	3.01	2.97	3.29	2.76	2.48
	Financial leverage	1.07	1.08	1.08	1.06	1.05
The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Analysis is not required if the magnitude of increase or decrease is less than 20%) The increase in interest coverage ratio was mainly due to the growth of operating revenue and net profit before tax caused by the Company's productivity expansion need following the customer's development and gradual expansion of the Company's scale.						

Note: Financial figures for 2016–2020 were based on the financial statements audited and certified by the CPA.

The calculation formula for said ratios is identified as follows:

1. Financial structure
   (1) Ratio of liabilities to assets = total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Long-term loan) / net of property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
   (3) Times interest earned ratio = net profit before interest and tax / interest expenses for the current period.
3. Operational ability
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover = sale cost / average inventory.
   (4) Payables (including accounts payable and notes payable resulting from operation) turnover = sale cost / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation).
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
   (7) Total assets turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = [Net Income or Loss + Interest expense × (1 - tax rate)] / Average total assets.
   (2) ROE = Income after income tax / average total equity.
   (3) Profit margin = Income after income tax / net sales.
   (4) Earnings per share = (attributable to the shareholder's profit and loss of the parent company - Preferred dividends) / Weighted average number of shares issued. (Note 1)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years / (capital expenditure + increase in inventory + cash dividends) during the most recent five years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + intangible assets + working capital). (Note 2)
6. Leverage:
   (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 3).
   (2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 1: Calculation of earnings per share has taken the following factors into account:

1. The weighted average quantity of outstanding common stock shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in the current period (whether paid or unpaid) shall be deducted from corporate earnings or as added to earnings after taxation. If the accumulated preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from corporate earnings, if any. In case of loss, no adjustment shall be made.

Note 2: Cash flow analyses have taken the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the end is more than that at the beginning. If the inventory decreases at the end of the year, it shall be calculated as "zero."
4. Cash Dividends include the dividends in cash paid to holders of common stock and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 3: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

III. Audit Report from the Auditing Committee on the Latest Financial Statements

King Yuan Electronics Co., Ltd.
Audit Report from the Audit Committee

This report is to certify that the Company’s 2020 business report, consolidated financial statements (including separate financial statement) and the motion for allocation of earnings were prepared and submitted by the Company’s board of directors, and the consolidated financial statements (including separate financial statement) contained therein were already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statements (including separate financial statement) and motion for allocation of earnings have also been reviewed by the committee, and which in our opinion comply with the relevant requirements. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act accordingly.

King Yuan Electronics Co., Ltd.
Convener of Audit Committee: Hui-Chun Hsu

March 12, 2021

English Translation of a Report and Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
WITH
INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE

Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)
Telephone: 886-3-5751888

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

安永聯合會計師事務所
30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.
Tel: 886 3 688 5678
Fax: 886 3 688 6000
www.ey.com/taiwan

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompany parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT$23,344,758 thousand as net sales. Their main activities are providing testing and assembly services that represented 84%, or NT$19,666,024 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the financial statements.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of King Yuan Electronics Co., Ltd. disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate King Yuan Electronics Co., Ltd. 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 financial reporting process of King Yuan Electronics Co., Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of King Yuan Electronics Co., Ltd.

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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 King Yuan Electronics Co., Ltd. to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 12, 2021

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2020	%	December 31, 2019	%
Current assets					
Cash and cash equivalents	4, 6(1)	$5,110,784	10	$4,155,945	8
Financial assets at fair value through other comprehensive income-current	4, 6(2)	-	-	30,114	-
Contract assets-current	4, 6(15), 6(16), 7	202,972	-	126,182	-
Notes receivable, net	4, 6(3), 6(16)	3,049	-	4,268	-
Accounts receivable, net	4, 6(4), 6(16)	3,127,686	6	3,730,901	8
Accounts receivable from related parties, net	4, 6(4), 6(16), 7	1,749,678	3	886,172	2
Other receivables	4, 6(16)	94,551	-	160,100	-
Other receivables from related parties	4, 7	111,918	-	821,474	2
Inventories, net	4, 6(5)	774,144	2	907,842	2
Prepayments	6(6)	125,241	-	204,787	-
Other current assets		51,843	-	76,944	-
Total current assets		11,351,866	21	11,104,729	22
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	4,446,563	8	2,425,166	5
Investments accounted for using the equity method	4, 6(7)	6,148,166	11	4,891,194	10
Property, plant and equipment	4, 6(8), 6(19), 7, 8	31,370,700	58	30,379,042	60
Right-of-use asset	4, 6(17)	1,191,431	2	1,228,619	3
Intangible assets	4, 6(9), 6(10)	80,159	-	66,148	-
Deferred tax assets	4, 6(21)	227,623	-	229,882	-
Other financial assets-non-current	8	115,669	-	113,125	-
Other non-current assets		3,497	-	3,487	-
Total non-current assets		43,583,808	79	39,336,663	78
Total assets		$54,935,674	100	$50,441,392	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
As of December 31, 2020 and 2019
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2020	%	December 31, 2019	%
Current liabilities					
Contract liabilities-current	4, 6(15)	$11,590	-	$52,486	-
Notes payable		4,435	-	1,633	-
Accounts payable		790,394	1	775,500	1
Accounts payable to related parties	7	19,487	-	31,337	-
Other payables		2,623,108	4	2,755,371	5
Other payables to related parties	7	306,083	1	119,005	-
Payables on equipment		494,636	1	797,050	2
Current tax liabilities	4, 6(21)	394,417	1	666,224	1
Lease liabilities-current	4, 6(17)	304,358	1	788,269	2
Other current liabilities	4, 6(11)	578,740	1	303,650	1
Total current liabilities		5,527,248	10	6,290,525	12
Non-current liabilities					
Long-term loans	4, 6(12), 6(19), 8	18,318,298	34	16,944,660	34
Deferred tax liabilities	4, 6(21)	667,968	1	39,921	-
Lease liabilities-non-current	4, 6(17)	533,878	1	444,245	1
Net defined benefit liabilities	4, 6(13)	566,456	1	528,169	1
Guarantee deposits		2,755	-	1,933	-
Total non-current liabilities		20,089,355	37	17,958,928	36
Total liabilities		25,616,603	47	24,249,453	48
Equity					
Share capital	4, 6(14)				
Common stock		12,227,451	22	12,227,451	24
Capital surplus	4, 6(14)	4,588,172	9	4,832,721	10
Retained earnings	4, 6(2), 6(14)				
Legal reserve		2,656,958	5	2,359,299	5
Special reserve		402,406	1	803,172	1
Undistributed earnings		8,147,631	14	6,371,702	13
Total retained earnings		11,206,995	20	9,534,173	19
Other equity	4, 6(14)	1,296,453	2	(402,406)	(1)
Total equity		29,319,071	53	26,191,939	52
Total liabilities and equity		$54,935,674	100	$50,441,392	100

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2020	%	2019	%
Net sales	4, 6(15), 7	$23,344,758	100	$21,845,844	100
Operating costs	4, 6(5), 6(8), 6(9), 6(18), 7	(17,280,780)	(74)	(16,109,256)	(74)
Gross profit		6,063,978	26	5,736,588	26
	4, 6(8), 6(9), 6(16), 6(18), 7				
Operating expenses					
Selling expenses		(359,004)	(1)	(389,162)	(2)
Administrative expenses		(1,386,381)	(6)	(1,211,019)	(5)
Research and development expenses		(909,932)	(4)	(879,068)	(4)
Expected credit losses		(2,857)	-	(20,000)	-
Total operating expenses		(2,658,174)	(11)	(2,499,249)	(11)
Operating income		3,405,804	15	3,237,339	15
Non-operating income and expenses	4, 6(7), 6(8), 6(10), 6(19), 7				
Interest income		7,424	-	7,085	-
Other income		177,060	1	108,689	-
Other gains and losses		(164,770)	(1)	36,200	-
Finance costs		(217,585)	(1)	(239,659)	(1)
Share of profit of associates accounted for using the equity method		1,159,434	5	665,457	3
Total non-operating income and expenses		961,563	4	577,772	2
Net income before income tax		4,367,367	19	3,815,111	17
Income tax expense	4, 6(21)	(730,714)	(3)	(773,545)	(3)
Net income		3,636,653	16	3,041,566	14
Other comprehensive income	4, 6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(45,906)	-	(57,525)	-
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income		2,056,310	9	687,206	3
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(403,570)	(2)	(136,555)	(1)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		105,726	-	(186,862)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(21,145)	-	37,373	-
Other comprehensive income, net of tax		1,691,415	7	343,637	1
Total comprehensive income		$5,328,068	23	$3,385,203	15
Earnings per share(NT$)	4, 6(22)				
Basic Earnings Per Share		$2.97		$2.49	
Diluted Earnings Per Share		$2.94		$2.47	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity		Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	
Balance as of January 1, 2019	$12,227,451	$4,844,536	$2,179,765	$431,239	$5,597,293	$(292,128)	$(511,045)	$24,477,111
Appropriation and distribution of 2018 earnings :								
Legal reserve	-	-	179,534	-	(179,534)	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	3,041,566
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	343,637
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	3,385,203
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	(19,669)
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-
Balance as of December 31, 2019	$12,227,451	$4,832,721	$2,359,299	$803,172	$6,371,702	$(441,617)	$39,211	$26,191,939
Balance as of January 1, 2020	$12,227,451	$4,832,721	$2,359,299	$803,172	$6,371,702	$(441,617)	$39,211	$26,191,939
Appropriation and distribution of 2019 earnings :								
Legal reserve	-	-	297,659	-	(297,659)	-	-	-
Cash dividends	-	(244,549)	-	-	(1,956,392)	-	-	(2,200,941)
Reversal of special reserve	-	-	-	(400,766)	400,766	-	-	-
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	3,636,653
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	5
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	38,462	-	(38,462)	-
Balance as of December 31, 2020	$12,227,451	$4,588,172	$2,656,958	$402,406	$8,147,631	$(357,036)	$1,653,489	$29,319,071

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	2020	2019	Description	2020	2019
Cash flows from operating activities :			**Cash flows from investing activities :**		
Profit before tax from continuing operations	$4,367,367	$3,815,111	Proceeds from disposal of financial assets at fair value through other comprehensive income	$65,027	$-
Adjustments for:			Proceeds from capital return of financial assets at fair value through other comprehensive income	-	395
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	-	101,885
Depreciation	6,809,397	6,287,857	Acquisition of investments accounted for using the equity method	-	(37,070)
Amortization	49,887	85,293	Proceeds from capital return of investments accounted for using the equity method	-	370,891
Expected credit losses	2,857	20,000	Acquisition of property, plant and equipment	(8,182,159)	(8,931,451)
Gains on financial assets and liabilities at fair value through profit or loss	-	(424)	Proceeds from disposal of property, plant and equipment	840,968	308,133
Interest expenses	217,585	239,659	Increase in refundable deposits	(10)	-
Interest income	(7,424)	(7,085)	Acquisition of intangible assets	(63,898)	(24,736)
Dividend income	(50,966)	(38,398)	Increase in other financial assets	(2,544)	(3,213)
Investment gain accounted for using the equity method	(1,159,434)	(665,457)	Dividend received	64,076	49,858
Gain on disposal of property, plant and equipment	(46,075)	(73,578)	Net cash used in investing activities	(7,278,540)	(8,165,308)
Impairment of non-financial assets	153,955	91,181			
Unrealized foreign exchange gain	(78,024)	(91,315)			
Changes in operating assets and liabilities：			**Cash flows from financing activities :**		
Contract assets	(76,790)	163,245	Borrowing in long-term loans	26,184,895	18,179,500
Notes receivable	1,219	9,576	Repayments of long-term loans	(24,750,701)	(17,783,548)
Accounts receivable	623,507	149,913	Increase in guarantee deposits	822	360
Accounts receivable from related parties	(863,506)	(133,554)	Cash payments for the principal portion of the lease liabilities	(505,826)	(13,347)
Other receivables	45,210	(40,208)	Cash dividends	(2,200,941)	(1,650,706)
Other receivables from related parties	261,002	(303,220)	Interest paid	(209,644)	(227,391)
Inventories	133,698	54,773	Net cash used in financing activities	(1,481,395)	(1,495,132)
Prepayments	19,270	97,163			
Other current assets	25,101	113,811	Net increase in cash and cash equivalents	954,839	268,944
Contract liabilities	(40,896)	(32,348)	Cash and cash equivalents at the beginning of the year	4,155,945	3,887,001
Notes payable	2,802	(37,879)	Cash and cash equivalents at the end of the year	$5,110,784	$4,155,945
Accounts payable	14,894	(168,604)			
Accounts payable to related parties	(11,850)	18,946			
Other payables	(127,589)	625,404			
Other payables to related parties	(28,361)	7,698			
Other current liabilities	275,090	25,329			
Accrued pension liabilities	(7,619)	(10,926)			
Cash generated from operating activities	10,504,307	10,201,963			
Interest received	7,397	7,259			
Income tax paid	(796,930)	(279,838)			
Net cash provided by operating activities	9,714,774	9,929,384			

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

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("the Company" or "KYEC") was incorporated under the Company Law of the Republic of China (“R.O.C) on May 28, 1987 and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of KYEC were listed on the Taiwan Stock Exchange. The Company’s registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements of the Company were approved and authorized for issue by the Board of Directors on March 12, 2021.

3. Newly Issued or Revised Standards and Interpretations

(1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment described below, the remaining new standards and amendments had no material impact on the Company.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)
The Company elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) and its transitional requirements which are recognized by FSC for annual periods beginning on or after January 1, 2020. For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted for it as a variable lease payment. The amendment had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

A. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on companies' financial statements:

a. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
b. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
c. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
D	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
E	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
F	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

A. IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

a. estimates of future cash flows;
b. discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
c. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current – Amendment to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial Statements and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

a. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

b. Property, Plant and Equipment-Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

c. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

d. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

E. Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

F. Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

Basis of Preparation

The Company prepares the parent company only financial statements in accordance with the Regulations. According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial statements will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

Foreign currency transactions

The parent company only financial statements are presented in NT$, which is also the Company’ functional currency.

Transactions in foreign currencies are initially recorded by the Company’s functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.

C. exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjustment in "investments accounted for using the equity method". In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. the Company holds the asset primarily for the purpose of trading;
C. the Company expects to realize the asset within twelve months after the reporting period; or
D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. the Company expects to settle the liability in its normal operating cycle;
B. the Company holds the liability primarily for the purpose of trading;
C. the liability is due to be settled within twelve months after the reporting period; or
D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within twelve months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Company's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
d. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:
a. the rights to receive cash flows from the asset have expired.
b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments”.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

a. it eliminates or significantly reduces a measurement or recognition inconsistency; or

b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to type of hedges used.

When the host contracts are either non-financial assets or labilities, derivative embedded in host contracts are accounted for as separate derivative and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designed at fair value though profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a. in the principal market for the asset or liability, or
b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

According to Article 21 of the Regulations, the investments in subsidiaries will be disclosed under "investments accounted for using the equity method" and changes in value will be adjusted accordingly. The profit or loss and other comprehensive income presented in parent company only financial statements will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under "investments accounted for using equity method", "share of profit of subsidiaries and associates accounted for using equity method" and "share of other comprehensive income of subsidiaries and associates accounted for using equity method".

The Company's investment in its associates is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company’s related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company’s percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new shares, and the Company’s interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 “Investments in Associates and Joint Ventures”. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 “Impairment of Assets”. In determining the value in use of the investment, the Company estimates:

A. its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 "Impairment of Assets".

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	31 years
Plant equipment	5～16 years
Machinery and equipment	2～ 8 years
Transportation equipment	3～ 6 years
Office equipment	3～ 5 years
Right-of-use assets (Note)	6～ 28 years
Leased assets	3～11 years
Leasehold improvements	10 years

Note:
The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The Company assesses whether the contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of consolidated comprehensive income statement.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

B. The Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A. Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b. its intention to complete and its ability to use or sell the asset;
c. how the asset will generate future economic benefits;
d. the availability of resources to complete the asset; and
e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3~5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, The Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Acquisitions of the shares of the Company (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasury shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on retirement of treasury shares should be offset against existing capital surplus form similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The Company's revenues arising from contracts with customers are mainly rendering of processing services and rental of testing machinery. The accounting policies are explained as follows:

A. Rendering of services

The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company's performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volume discount), recognizes service revenues over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenue from rental of machinery

The Company provides rental services for testing machineries based on customers' demand. According to the contract, the Company provides tailored machineries to customers for testing purposes for a certain period of time. During the contract period, those machineries are for the contracted customers' use only, and will not be mixed with other testing machineries. Meanwhile, during the contract period, those machineries are still under control of the Company, the customer does not have the right to control over or to direct the right of use of the rented machineries. Usually, the unit price is fixed and is stated in the contract. Accordingly, the Company's performance obligations is satisfied over time and the Company recognizes revenues from rental of the machinery by rental hours or testing volume multiplied by the fixed unit price, or over the rental period on a straight line basis.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, the Company recognizes trade receivables upon the completion of rental period. These trade receivables usually have short period and no significant financial component is arisen.

For some machinery rental contracts, prepayments are received from customers upon signing the contract, the Company then has the obligation to provide the services subsequently. Accordingly, these amounts are recognized as contract liabilities.

C. Sales of machinery

The Company manufactures and sells professional testing machinery. Those machineries must be tested for specifications according to the contract signed by both parties before being delivered to customers. The Company performs the specification test in accordance with the contract and issues a machinery inspection report to the customer. After the customer's confirmation that the operating data and function of the machineries have met the specification stated in the inspection report, the machinery can be delivered to the customer's designated location stated in the contract and the control of the machinery can be transferred. At this time, the customer has the right to determine the sales channels and price of those testing machineries, and has the ability to prevent other companies from directing the use and obtaining the benefits of these products. Thus, the Company recognizes the revenue generated from the sales of machineries.

Considering the fact that assisting customers for the machinery installation and providing safety guidance are not significant, so the Company issues an invoice with total consideration to the customer and recognizes the amount as trade receivables upon the delivery of the machinery. In addition, the period between the sales of machinery and the actual receipt of the payment is within one year, therefore, there is no significant financial component. The Company provides its customer with a warranty for refund for defectives products. Such warranty is accounted for in accordance with IAS 17 as liability provision.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period when they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholders’ meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Determination of the useful lives for plant, property and equipment

The Company's determination of the useful lives is based on the expected utility and the experience on using similar property, plant and equipment in prior periods. Based on the Company's assets management policy, the Company may dispose certain assets after consuming the economic benefits of the asset to certain extent.

By considering the Company's previous experience as well as peer experience on using similar property, plant and equipment, on March 14, 2019, the Board of Directors approved to change the estimated useful lives of certain machinery equipment from 6 years to 8 years and certain second-handed machinery equipment from 3 years to 4 years effective from January 1, 2019. The change was aimed at reflecting more accurate useful lives, achieving more reasonable cost allocations, and providing more reliable and relevant information. The change of the accounting estimate decreased the depreciation expenses by NT$932,897 thousands for the year ended December 31, 2019. For more information of depreciation, addition and disposal of property, plant and equipment, please refer to Note 6.

B. Recognition of right-of-use assets and lease liabilities

The Company considers the lease period of the leased assets and the lessee's incremental borrowing interest rate to determine the right-of-use assets and lease liabilities.

To determine the lease period, the Company considers all relevant facts and circumstances that may produce economic incentives to exercise or not to exercise the option to terminate the lease, including expected changes in all facts and conditions from the commencement date of the lease to the exercise date of the option. The main factors to consider include the contract terms and conditions for the period covered by the option and the materiality of the underlying asset to the lessee's operations. When changes of major events or circumstances that are within the control of the Company occur, the lease period is re-evaluated.

In determining a lessee's incremental borrowing rate used in discounting lease payments, the Company mainly takes into account the market risk-free rates, the estimated lessee's spread and secured status in a similar economic environment.

C. Fair value of Level 3 financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6.(11) for more details.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Checking and savings accounts	$4,520,784	$4,065,945
Time deposits	590,000	90,000
Total	$5,110,784	$4,155,945

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

	December 31, 2020	December 31, 2019
Equity instrument investments measured at fair value through other comprehensive income- current		
Listed company's stocks	$-	$30,114
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	28,117	25,009
Unlisted company's stocks	4,418,446	2,400,157
Subtotal	4,446,563	2,425,166
Total	$4,446,563	$2,455,280

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended of 2020 and 2019 are as follows:

	For the years ended December 31,	
	2020	2019
Related to investments derecognized during the period	$783	$-
Related to investments held at the end of the reporting period	50,183	38,398
Dividends recognized during the period	$50,966	$38,398

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

In consideration of disposition or liquidation of certain investments according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
The fair value of the investments at the date of derecognition	$65,027	$-
The cumulative gain on disposal	38,462	-

The Company received capital returns in the amount of NT$0 thousand and NT$395 thousand, respectively, from its equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019.

Financial assets at fair value through other comprehensive income were not pledged.

(3) Notes receivable

	December 31, 2020	December 31, 2019
Notes receivables from operating activities	$3,049	$4,268
Less: loss allowance	-	-
Total	$3,049	$4,268

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6.(16) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(4) Trade receivables and trade receivables from related parties

	December 31, 2020	December 31, 2019
Trade receivables	$3,152,844	$3,777,549
Less: loss allowance	(25,158)	(46,648)
Subtotal	3,127,686	3,730,901
Trade receivables from related parties	1,749,678	886,172
Less: loss allowance	-	-
Subtotal	1,749,678	886,172
Total	$4,877,364	$4,617,073

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. Please refer to Note 6.(16) for more details on loss allowance of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk.

(5) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$595,414	$696,241
Work in progress	178,730	211,601
Finished goods	-	-
Total	$774,144	$907,842

The cost of inventories recognized in operating costs for the years ended December 31, 2020 and 2019 amounted to NT$17,280,780 thousand and NT$16,109,256 thousand, respectively, including the write-down of inventories of NT$42,208 thousand and NT$12,294 thousand, and scrap loss of NT$3,931 thousand and NT$3,510 thousand, respectively.

No inventories were pledged.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(6) Prepayments

	December 31, 2020	December 31, 2019
Prepaid equipment	$64,339	$124,615
Input tax	41,245	49,030
Prepaid expenses	9,486	7,704
Others	10,171	23,438
Total	$125,241	$204,787

(7) Investments accounted for using the equity method

	December 31, 2020		December 31, 2019	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
KYEC USA Corp.	$12,035	100.00%	$11,732	100.00%
KYEC Investment International Co., Ltd.	5,691,034	100.00%	4,518,785	100.00%
KYEC Technology Management Co., Ltd.	362,498	100.00%	287,967	100.00%
KYEC Japan K.K.	56,828	89.83%	52,497	89.83%
KYEC SINGAPORE PTE. LTD.	2,130	100.00%	2,024	100.00%
King Ding Precision Incorporated Company (King Ding)	69,962	100.00%	74,055	100.00%
Subtotal	6,194,487		4,947,060	
Investments in associates:				
Fixwell Technology Corp.	46,981	23.33%	45,305	23.33%
Wei Jiu Industrial Co., Ltd.	22,875	34.00%	19,923	34.00%
Subtotal	69,856		65,228	
Less: deferred credits	(116,177)		(121,094)	
Total	$6,148,166		$4,891,194	

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Investments in subsidiaries

Investments in subsidiaries are express as “Investments accounted for using the equity method” in the Company’s parent company only financial statements with necessary valuation adjustments.

No investments were pledged.

B. Investments in associates

The Company’s investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The summarized financial information of the Company’s ownership in those associates is as follows:

	For the years ended December 31,	
	2020	2019
Net income	$16,088	$14,336
Other comprehensive income, net of tax	-	-
Total comprehensive income	$16,088	$14,336

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31, 2020	December 31, 2019
Owner occupied property, plant and equipment	$30,896,867	$30,244,365
Property, plant and equipment leased out under operating leases	473,833	134,677
Total	$31,370,700	$30,379,042

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Owner occupied property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	I im
Cost:								
As of January 1, 2020	$1,143,394	$3,707,470	$8,074,490	$76,195,437	$638,316	$49,036	$3,931,109	
Additions	2,880	37,596	413,804	6,737,966	65,028	2,485	375,860	
Disposals	-	-	(35,589)	(2,571,040)	(969)	-	(28,537)	
Transfers	-	(32,986)	-	(177,835)	-	-	-	
As of December 31, 2020	$1,146,274	$3,712,080	$8,452,705	$80,184,528	$702,375	$51,521	$4,278,432	
As of January 1, 2019	$1,143,394	$3,754,438	$7,817,632	$72,241,656	$613,182	$43,730	$3,744,120	
Additions	-	-	283,578	7,657,306	25,316	6,081	274,041	
Disposals	-	-	(26,720)	(3,686,787)	(182)	(775)	(87,052)	
Transfers	-	(46,968)	-	(16,738)	-	-	-	
As of December 31, 2019	$1,143,394	$3,707,470	$8,074,490	$76,195,437	$638,316	$49,036	$3,931,109	

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Accumulated depreciations and impairment:										
As of January 1, 2020	$-	$1,374,762	$5,644,417	$54,110,172	$552,640	$32,918	$2,989,691	$2,064	$-	$64,706,664
Depreciation	-	120,057	421,629	5,738,076	31,805	6,141	275,399	443	-	6,593,550
Disposals	-	-	(35,589)	(2,217,001)	(969)	-	(28,537)	-	-	(2,282,096)
Transfers	-	(21,577)	-	18,983	-	-	-	-	-	(2,594)
Impairment	-	-	-	153,955	-	-	-	-	-	153,955
As of December 31, 2020	$-	$1,473,242	$6,030,457	$57,804,185	$583,476	$39,059	$3,236,553	$2,507	$-	$69,169,479
As of January 1, 2019	$-	$1,267,554	$5,212,373	$51,808,120	$511,616	$28,385	$2,809,726	$1,622	$-	$61,639,396
Depreciation	-	119,902	458,764	5,356,353	41,206	5,308	266,938	442	-	6,248,913
Disposals	-	-	(26,720)	(3,121,201)	(182)	(775)	(86,973)	-	-	(3,235,851)
Transfers	-	(12,694)	-	11,633	-	-	-	-	-	(1,061)
Impairment	-	-	-	55,267	-	-	-	-	-	55,267
As of December 31, 2019	-	$1,374,762	$5,644,417	$54,110,172	$552,640	$32,918	$2,989,691	$2,064	$-	$64,706,664
Net carrying amount as at:										
December 31, 2020	$1,146,274	$2,238,838	$2,422,248	$22,380,343	$118,899	$12,462	$1,041,879	$1,918	$1,534,006	$30,896,867
December 31, 2019	$1,143,394	$2,332,708	$2,430,073	$22,085,265	$85,676	$16,118	$941,418	$2,361	$1,207,352	$30,244,365

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Property, plant and equipment leased out under operating leases

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2020	$137,706	$270,170	$407,876
Additions	-	193,187	193,187
Disposals	-	-	-
Transfers	32,986	214,745	247,731
As at December 31, 2020	$170,692	$678,102	$848,794
As at January 1, 2019	$110,462	$252,265	$362,727
Additions	-	1,167	1,167
Disposals	-	-	-
Transfers	27,244	16,738	43,982
As at December 31, 2019	$137,706	$270,170	$407,876
Accumulated depreciation and impairment:			
As at January 1, 2020	$78,585	$194,614	$273,199
Depreciation	4,556	90,383	94,939
Disposals	-	-	-
Transfers	21,577	(14,754)	6,823
As at December 31, 2020	$104,718	$270,243	$374,961
As at January 1, 2019	$61,756	$188,680	$250,436
Depreciation	4,135	17,567	21,702
Disposals	-	-	-
Transfers	12,694	(11,633)	1,061
As at December 31, 2019	$78,585	$194,614	$273,199
Net carrying amounts as at:			
December 31, 2020	$65,974	$407,859	$473,833
December 31, 2019	$59,121	$75,556	$134,677

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

C. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2020	2019
Construction in progress	$45,074	$67,926
Capitalization rate of borrowing costs	0.95%~1.93%	1.71%~1.97%

D. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2020	2019
Acquisition of property, plant and equipment	$8,095,184	$8,951,134
Net decrease (increase) in payables to equipment suppliers	302,414	(18,981)
Net increase in other payables - related parties	(215,439)	(702)
Total	$8,182,159	$8,931,451

	For the years ended December 31,	
	2020	2019
Disposal of property, plant and equipment	$395,197	$678,210
Net decrease (increase) in other receivables	(2,783)	24,600
Net decrease (increase) in other receivables - related parties	448,554	(394,677)
Total	$840,968	$308,133

E. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buidings located in Miaoli County for operational use. The total purchase price was NT $850 million (including tax). As of December 31, 2020, the Company has paid off the total consideration and recognized the payment in the construction in progress. According to the purchase agreement, ownership transfer registration shall be completed within four months after obtaining the use license.

In order to meet the needs of future operation and development, the Company decided to acquire the additional floors of the abovementioned buildings for production efficiency improvement. The expected purchase price was NT $350 million (including tax). As of December 31, 2020, the purchase agreement has not been signed.

F. As of December 31, 2020 and 2019, the Company recognized an impairment loss of NT$153,955 thousand and 55,267 thousand, respectively, for certain machinery and equipment which were either damaged or idle and could no longer be used.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

G. Please refer to Note 8 for property, plant and equipment pledged as collateral.

(9) Intangible assets

	Software	Goodwill	Total
Cost:			
As of January 1, 2020	$182,739	$35,914	$218,653
Additions from acquisitions	63,898	-	63,898
Disposals	(72,287)	-	(72,287)
Transfers	-	-	-
As of December 31, 2020	$174,350	$35,914	$210,264
As of January 1, 2019	$188,080	$35,914	$223,994
Additions from acquisitions	24,736	-	24,736
Disposals	(30,077)	-	(30,077)
Transfers	-	-	-
As of December 31, 2019	$182,739	$35,914	$218,653
Amortization and impairment:			
As of January 1, 2020	$116,591	$35,914	$152,505
Amortization	49,887	-	49,887
Disposals	(72,287)	-	(72,287)
Impairment loss	-	-	-
As of December 31, 2020	$94,191	$35,914	$130,105
As of January 1, 2019	$61,375	$-	$61,375
Amortization	85,293	-	85,293
Disposals	(30,077)	-	(30,077)
Impairment loss	-	35,914	35,914
As of December 31, 2019	$116,591	$35,914	$152,505
Net carrying amount as of:			
December 31, 2020	$80,159	$-	$80,159
December 31, 2019	$66,148	$-	$66,148

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2020	2019
Operating costs	$28,938	$66,404
Selling and administrative expenses	17,750	14,009
Research and development expenses	3,199	4,880
Total	$49,887	$85,293

Please refer to Note 6 (10) for goodwill impairment testing.

(10) Goodwill impairment testing

The Company acquired Dawning Leading Technology Inc. in November 2018, and recognized goodwill of NT$35,914 thousand, which is subject to impairment testing annually. After the acquisition of Dawning Leading Technology Inc., an assembly center was established, and goodwill was allocated to this center (a separate cash-generating unit).

Cash-generating unit of assembly center

As the acquisition date of Dawning Leading Technology Inc. was in November 2018, there is no impairment of goodwill in 2018. However, in 2019, the assembly center suffered an operating loss due mainly to severe competition and the delay in the introduction of new products. The recoverable amount of the assembly center has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections was 13.60% in 2019. As a result, management recognized an impairment loss of NT$35,914 thousand on goodwill in 2019.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for assembly center unit is most sensitive to the following assumptions:

(a) revenue growth rate applied to cash flow projections.
(b) discount rates.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Revenue growth rates –revenue growth rate is estimated based on market supply and demand and product implementation progress during the budget period.

Discount rates – discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Company has obligation to settle.

(11) Other current liabilities

	December 31, 2020	December 31, 2019
Refund liabilities	$194,956	$39,080
Receipts on behalf of others	380,535	260,622
Others	3,249	3,948
Total	$578,740	$303,650

(12) Long-term borrowings

As of December 31, 2020

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commerical Bank	Unsecured bank loans	2023.03.19	$911,360	Revolving Credit
Shanghai Commerical Bank	Unsecured bank loans	2022.03.27	375,105	Revolving Credit
Taishin Bank	Unsecured bank loans	2023.02.07	1,300,000	Revolving Credit
Mega Bank	Unsecured bank loans	2022.09.18	313,280	Revolving Credit

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Land Bank	Unsecured bank loans	2022.03.03	170,880	Revolving Credit
First Commercial Bank	Unsecured bank loans	2022.07.20	12,463	Revolving Credit
MUFG Bank	Unsecured bank loans	2022.12.04	56,960	Revolving Credit
Bank of China	Unsecured bank loans	2022.10.14	712,000	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	2022.03.11	541,120	Revolving Credit
Cathay United Bank	Unsecured bank loans	2022.12.25	227,840	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2022.10.27	703,485	Revolving Credit
Shin Kong Commerical Bank	Unsecured bank loans	2022.12.11	284,800	Revolving Credit
Mizuho Bank	Unsecured bank loans	2023.01.01	500,000	Revolving Credit
KGI Bank	Unsecured bank loans	2024.07.15	400,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	300,000	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	695,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Fubon Bank	Unsecured bank loans	2023.02.07	800,000	50% of principal will be repaid on August 7, 2022. The remaining principal will be repaid on maturity day.
Bank of Taiwan	Unsecured bank loans	2024.01.20	1,200,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.
First Commercial Bank	Unsecured bank loans	2025.01.20	895,497	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	1,100,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others	Commercial paper loans	2025.10.11	200,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal			18,359,790	
Less: current portion			-	
Less: arrangement fee			(30,725)	
Less: unamortized discount			(10,767)	
Total			$18,318,298	
Interest Rates			0.50%~1.26%	

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As of December 31, 2019

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Citi Bank	Unsecured bank loans	2021.11.30	$215,250	Revolving Credit
SinoPac Bank	Unsecured bank loans	2021.05.22	539,640	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2021.10.14	1,138,600	Revolving Credit
Cathay United Bank	Unsecured bank loans	2021.12.23	269,820	Revolving Credit
Bank of China	Unsecured bank loans	2021.10.14	749,500	Revolving Credit
Mizuho Bank	Unsecured bank loans	2021.01.01	1,230,000	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	2021.05.10	299,800	Revolving Credit
E. Sun Bank	Unsecured bank loans	2021.09.10	239,840	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2021.01.03	449,700	Revolving Credit
Mega Bank	Unsecured bank loans	2021.09.18	749,500	Revolving Credit
Land Bank	Unsecured bank loans	2021.03.28	269,820	Revolving Credit
Mega Bank	Unsecured bank loans	2021.02.12	319,500	Repay at maturity
Land Bank	Unsecured bank loans	2021.02.12	126,000	Repay at maturity
Fubon Bank	Unsecured bank loans	2021.02.09	175,500	Repay at maturity
Bank of Taiwan	Unsecured bank loans	2021.02.12	479,497	Repay at maturity
Land Bank and 13 others	Secured bank loans	2021.03.10	3,750,000	25% of principal will be repaid on September 10, 2019. The remaining principal will be repaid on maturity day.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Mega Bank and 17 others	Commercial paper loans	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 17 others	Secured bank loans	2023.12.06	300,000	25% of principal will be repaid on February 13, 2023. The remaining principal will be repaid on maturity day.
Subtotal			16,981,967	
Less: current portion			-	
Less: arrangement fee			(30,305)	
Less: unamortized discount			(7,002)	
Total			$16,944,660	
Interest Rates			0.83%~4.30%	

a. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.
b. Please refer to Note 9 for the financial covenants during the loan period.
c. The Company's unused short-term lines of credits amounted to NT$4,269,436 thousand and NT$3,058,448 thousand as at December 31, 2020 and 2019, respectively.

(13) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee's salaries or wages to employee's pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$194,388 thousand and NT$185,247 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$17,500 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

The maturities of the defined benefits plan as at December 31, 2020 and 2019 are both in 2025.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

	For the years ended December 31,	
	2020	2019
Current period service costs	$5,655	$5,991
Interest income or expense	4,226	4,527
Overestimate (underestimate)	(4)	21
Total	$9,877	$10,539

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2020	2019
Defined benefit obligation at January 1,	$849,561	$802,898
Plan assets at fair value	(283,105)	(274,729)
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	$566,456	$528,169

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2019	$752,629	$(271,059)	$481,570
Current period service costs	5,991	-	5,991
Net interest expense (income)	7,074	(2,547)	4,527
Subtotal	765,694	(273,606)	492,088
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	55,146	-	55,146
Actuarial gains and losses arising from changes in financial assumptions	(38,952)	-	(38,952)
Experience adjustments	51,181	-	51,181
Return on plan assets	-	(9,850)	(9,850)
Subtotal	67,375	(9,850)	57,525

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Payments from the plan	(30,171)	30,171	-
Contributions by employer	-	(21,444)	(21,444)
As at December 31, 2019	$802,898	$(274,729)	$528,169
Current period service costs	5,655	-	5,655
Net interest expense (income)	6,424	(2,198)	4,226
Subtotal	814,977	(276,927)	538,050
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	56,665	-	56,665
Experience adjustments	(1,354)	-	(1,354)
Return on plan assets	-	(9,405)	(9,405)
Subtotal	55,311	(9,405)	45,906
Payments from the plan	(20,727)	20,727	-
Contributions by employer	-	(17,500)	(17,500)
As at December 31, 2020	$849,561	$(283,105)	$566,456

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2020	December 31, 2019
Discount rate	0.40%	0.80%
Expected rate of salary increases	1.50%	1.50%

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A sensitivity analysis for significant assumptions as at December 31, 2020 and 2019 is shown as below:

	Effect on the defined benefit obligation			
	2020		2019	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	$-	$(70,049)	$-	$(45,058)
Discount rate decrease by 0.5%	77,657	-	76,608	-
Future salary increase by 0.5%	76,376	-	75,659	-
Future salary decrease by 0.5%	-	(69,659)	-	(45,031)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

A. Share capital

As of December 31, 2020 and 2019, the Company's authorized share capital was both NT$15,000,000 thousand; issued share capital was both NT$12,227,451 thousand (1,222,745 thousand shares), with par value of NT$10 per share. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2020	December 31, 2019
Additional paid-in capital	$578,468	$823,017
Arising from conversion of bonds	3,588,848	3,588,848
Treasury share transactions	390,101	390,101
Arising from the exercise of employee restricted shares	30,755	30,755
Total	$4,588,172	$4,832,721

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

a. reserve for tax payments;
b. offset prior year's losses;
c. set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. set aside or reverse special reserve in accordance with law and regulations; and
e. the distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2020 and 2019, special reserve set aside for the first-time adoption of TIFRS amounted to NT$201,416 thousand.

The appropriations for earnings for 2019 were resolved by the shareholders in its meeting on June 10, 2020 while the proposed appropriations of earnings for 2020 were approved by Board of Directors on March 12, 2021. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	$362,921	$297,659		
Special reserve	(200,990)	(400,766)		
Cash dividends-common stock	2,200,941	1,956,392	$1.80	$1.60
Total	$2,362,872	$1,853,285		

On March 12, 2021 and June 10, 2020, the Board of Directors and the shareholders' meeting resolved to debit capital surplus by NT$244,549 thousand and NT$244,549 thousand, respectively, and distribute the same amounts of cash to shareholders.

Please refer to Note 6(18) for information regarding the employees' compensations (bonuses) and remunerations to directors.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(15) Operating revenues

	For the years ended December 31,	
	2020	2019
Assembly and testing processing revenues	$19,666,024	$20,187,111
Revenues from rental of machinery	1,869,046	1,095,275
Rental income from property	105,287	32,246
Other operating revenues	1,704,401	531,212
Total revenues	$23,344,758	$21,845,844

Relevant information of revenues from contracts with customers for the years ended December 31, 2020 and 2019 are as follows:

A. Disaggregation of revenues

Nature of revenues	Timing of revenue recognition	For the years ended December 31, 2020	For the years ended December 31, 2019
Rendering of services	Over time	$19,666,024	$20,187,111
Revenues from rental of machinery	Over time	1,869,046	1,095,275
Rental income from property	On a straight-line basis or on a systematic basis (Note)	105,287	32,246
Other operating revenues	At a point in time	1,704,401	531,212
Total		$23,344,758	$21,845,844

Note: Please refer to Note 6(17) for information regarding leases.

B. Contract balances

(a) Contract assets – current

Nature of revenues	2020.12.31	2019.12.31	2019.01.01
Rendering of services	$202,972	$126,182	$289,427

Please refer to Note 6(16) for more details on effect of impairment. Relevant information of revenues from contracts with customers for the years ended December 31, 2020 and 2019 are as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	For the years ended December 31,	
	2020	2019
The opening balance transferred to trade receivables	$126,182	$288,359
Degree of completion measurement	$202,972	$125,114

(b) Contract liabilities - current

Nature of revenues	2020.12.31	2019.12.31	2019.01.01
Revenues from rental of machinery	$11,590	$52,486	$84,834

Note: The difference of the beginning and ending balances is the net effect of the various revenue contracts signed before the opening date and the assumption of the new performance obligations for new contracts signed as of the ending date.

(16) Expected credit losses

Operating expenses - expected credit losses/ (gains)

	For the years ended December 31,	
	2020	2019
Contract assets	$-	$-
Notes receivable	-	-
Trade receivables	2,857	20,000
Total	$2,857	$20,000

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including notes receivable and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2020 and 2019 are as follows:

A. The gross carrying amount of contract assets is NT$202,972 thousand and NT$126,182 thousand, respectively. Expected credit loss ratio is estimated to be 0%.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

As at December 31, 2020

Group 1	Not yet due (Note)	Overdue 1-90 days	Overdue 91-180 days	Overdue 181-365 days	Overdue >366 days	Total
Gross carrying amount	$4,804,486	$69,166	$10,818	$-	$-	$4,884,470
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(3,949)	-	(108)	-	-	(4,057)
Subtotal	4,800,537	69,166	10,710	-	-	4,880,413

Group 2	Not yet due (Note)	Overdue 1-90 days	Overdue 91-180 days	Overdue 181-365 days	Overdue >366 days	Total
Gross carrying amount	$571	$-	$-	$45	$20,485	$21,101
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(571)	-	-	(45)	(20,485)	(21,101)
Subtotal	-	-	-	-	-	-
Total						$4,880,413

As at December 31, 2019

Group 1	Not yet due (Note)	Overdue 1-90 days	Overdue 91-180 days	Overdue 181-365 days	Overdue >366 days	Total
Gross carrying amount	$4,567,054	$52,285	$13,072	$12,819	$-	$4,645,230
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(23,502)	-	(131)	(256)	-	(23,889)
Subtotal	4,543,552	52,285	12,941	12,563	-	4,621,341

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

		Overdue				
Group 2	Not yet due (Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$233	$-	$186	$8,803	$13,537	$22,759
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(233)	-	(186)	(8,803)	(13,537)	(22,759)
Subtotal	-	-	-	-	-	-
Total						$4,621,341

Note: The Company's notes receivable are not overdue.

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2020 and 2019 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance as at January 1, 2020	$-	$-	$46,648	$-
Addition for the current period	-	-	2,857	-
Write off (Note)	-	-	(1,198)	-
Transfer	-	-	(23,149)	23,149
Ending balance as at December 31, 2020	$-	$-	$25,158	$23,149
Beginning balance as at January 1, 2019	$-	$-	$27,383	$-
Addition for the current period	-	-	20,000	-
Write off (Note)	-	-	(735)	-
Ending balance as at December 31, 2019	$-	$-	$46,648	$-

Note: Although the Company wrote off the financial assets during 2020 and 2019, collection activities are still underway.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(17) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 6 to 28 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with lease terms ranging from 1 to 2 years. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2020	December 31, 2019
Land	$476,801	$453,948
Machinery and equipment	714,630	774,671
Total	$1,191,431	$1,228,619

During the years ended December 31, 2020 and 2019, the Company's additions to right-of-use assets amounted to NT$89,750 thousand and NT$774,671 thousand, respectively.

During the year ended December 31, 2020, the Company exercised the purchase option and transfered the right-of-use assets to machinery and equipment amounting to NT$32,681 thousand. No such transaction occurred in 2019.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(b) Lease liabilities

	December 31, 2020	December 31, 2019
Lease liabilities- current	$304,358	$788,269
Lease liabilities- non-current	533,878	444,245
Total	$838,236	$1,232,514

Please refer to Note 6(19) C for the interest on lease liabilities recognized during the years ended December 31, 2020 and 2019, and refer to Note 12(3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2020 and 2019.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Land	$18,853	$17,242
Machinery and equipment	102,055	-
Total	$120,908	$17,242

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2020	2019
The expenses relating to short-term leases	$36,305	$49,181
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	497	475
Total	$36,802	$49,656

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

d. Cash outflows relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company's total cash outflows for leases amounted to NT$561,801 thousand and NT$71,880 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. The Company as a lessor

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	For the years ended December 31,	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$105,287	$32,246

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Please refer to Note 6(8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2020 and 2019 are as follow:

	December 31, 2020	December 31, 2019
Not later than one year	$34,930	$7,255
Later than one year and not later than five years	-	187
Total	$34,930	$7,442

(18) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2020 and 2019:

	For the years ended December 31,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$4,208,403	$1,038,578	$5,246,981	$3,896,153	$944,832	$4,840,985
Labor and health insurance	403,170	72,965	476,135	380,828	69,659	450,487
Pension	161,096	43,169	204,265	154,957	40,829	195,786
Remuneration of directors	-	38,212	38,212	-	33,391	33,391
Other employee benefits expense	212,690	33,763	246,453	204,236	32,665	236,901
Total	$4,985,359	$1,226,687	$6,212,046	$4,636,174	$1,121,376	$5,757,550
Depreciation	$6,311,631	$497,766	$6,809,397	$5,835,042	$452,815	$6,287,857
Amortization	$28,938	$20,949	$49,887	$66,404	$18,889	$85,293

The average total number of employees was 7,606 and 7,350 as of December 31, 2020 and 2019, respectively. The total number of Board of Directors who has not served as employees was 7 and 7, respectively.

A. The average amount of employee benefits expense was NT$812 thousand and NT$780 thousand as of December 31, 2020 and 2019, respectively.
B. The average amount of salaries was NT$690 thousand and NT$659 thousand as of December 31, 2020 and 2019, respectively.
C. The change rate of average amount of salaries was 4.7% and 1.2% for the years ended December 31, 2020 and 2019, respectively.
D. The remuneration to supervisors were estimated at 0 thousand and 0 thousand for the years ended December 31, 2020 and 2019, respectively.

In accordance with the Articles of Incorporation, no higher than 1% of the profit of the current year is distributable as remuneration to directors (including independent directors). However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. In addition, according to the Company's Articles of Incorporation, the remuneration paid to directors (including independent directors) is determined based on the Company's overall operating performance with consideration of the contribution of each director to the Company and reference to industry norm. The remuneration proposal shall be approved by more than half members of the Compensation Committee and submitted to the Board of Directors for further approval.

According to the Company's Articles of Incorporation and the Company Law, the remuneration of the Company's executives is determined based on the positions of the executives, contribution to the Company's operations, individual performance, and consideration of the Company's future risk and reference to the industry norm. The remuneration is to be reviewed by the Compensation Committee for its plausibility and submitted to the Board of Directors for resolution.

The employee's compensation policy of the Company takes into account various factors such as individual's salary, rank, and performance evaluation, the industry norm and the Company's operating results, etc.

In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be 8% of profit of current period (or NT$382,118 thousand) and 0.8% of profit of current period (or NT$38,212 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 12, 2021 to distribute NT$382,118 thousand and NT$38,212 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2020.

Actual distribution of employees' compensation and remuneration to directors of 2019 amounted to NT$333,915 thousand and NT$33,391 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2019.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(19) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2020	2019
Dividend income	$50,966	$38,398
Scrape income	15,638	11,465
Others	110,456	58,826
Total	$177,060	$108,689

B. Other gains and losses

	For the years ended December 31,	
	2020	2019
Gains on disposal of property, plant and equipment	$46,075	$73,578
Foreign exchange gains, net	39,870	55,551
Gains on financial assets at fair value through profit or loss (Note)	-	424
Impairment losses –Property, plant and equipment	(153,955)	(55,267)
Impairment losses –Goodwill	-	(35,914)
Others	(96,760)	(2,172)
Total	$(164,770)	$36,200

Note: Balance in current year was arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance costs

	For the years ended December 31,	
	2020	2019
Interest expenses on borrowings from bank	$198,412	$230,782
Interest expenses on lease liabilities	19,173	8,877
Total	$217,585	$239,659

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(20) Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(45,906)	$-	$(45,906)	$-	$(45,906)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	2,094,772	(38,462)	2,056,310	(403,570)	1,652,740
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	105,726	-	105,726	(21,145)	84,581
Total of other comprehensive income	$2,154,592	$(38,462)	$2,116,130	$(424,715)	$1,691,415

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(57,525)	$-	$(57,525)	$-	$(57,525)

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	687,601	(395)	687,206	(136,555)	550,651
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(186,862)	-	(186,862)	37,373	(149,489)
Total of other comprehensive income	$443,214	$(395)	$442,819	$(99,182)	$343,637

(21) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2020	2019
Current income tax expense:		
Current income tax charge	$723,367	$657,290
Adjustments in respect of current income tax of prior periods	(198,244)	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	205,591	116,255
Income tax expense recognized in profit or loss	$730,714	$773,545

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2020	2019
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$403,570	$136,555
Exchange differences resulting from translating the financial statements of foreign operations	21,145	(37,373)
Income tax relating to components of other comprehensive income	$424,715	$99,182

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2020	2019
Accounting profit before tax from continuing operations	$4,367,367	$3,815,111
Tax at the domestic rates applicable to profits in the country concerned	$873,473	$763,022
Tax effect of expenses not deductible for tax purposes	(150,106)	(105,732)
Tax effect of deferred tax assets/liabilities	205,591	116,255
Adjustments in respect of current income tax of prior periods	(198,244)	-
Total income tax expense recognized in profit or loss	$730,714	$773,545

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$(5,624)	$(24,148)	$-	$-	$-	$(29,772)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	11,054	24,339	-	-	-	35,393
Depreciation difference for tax purpose	24,219	(984)	-	-	-	23,235
Unrealized sales discount	7,816	31,175	-	-	-	38,991
Investments accounted for using the equity method	29,151	(229,157)	-	-	-	(200,006)
Exchange differences resulting from translating the financial statements of foreign operations	110,404	-	(21,145)	-	-	89,259
Unrealized investment gains and losses	(34,297)	(323)	(403,570)	-	-	(438,190)
Others	11,540	16,555	-	-	-	28,095
Unused tax losses	23,048	(23,048)	-	-	-	-
Deferred tax income/ (expense)		$(205,591)	$(424,715)	$-	$-	
Net deferred tax assets/(liabilities)	$189,961					$(440,345)
Reflected in balance sheet as follows:						
Deferred tax assets	$229,882					$227,623
Deferred tax liabilities	$39,921					$667,968

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$495	$(6,119)	$-	$-	$-	$(5,624)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	-	11,054	-	-	-	11,054
Depreciation difference for tax purpose	16,426	7,793	-	-	-	24,219
Unrealized sales discount	6,666	1,150	-	-	-	7,816
Investments accounted for using the equity method	158,590	(129,439)	-	-	-	29,151
Exchange differences resulting from translating the financial statements of foreign operations	73,031	-	37,373	-	-	110,404
Unrealized investment gains and losses	104,007	(1,749)	(136,555)	-	-	(34,297)
Others	10,485	1,055	-	-	-	11,540
Unused tax losses	23,048	-	-	-	-	23,048
Deferred tax income/ (expense)		$(116,255)	$(99,182)	$-	$-	
Net deferred tax assets/(liabilities)	$405,398					$189,961
Reflected in balance sheet as follows:						
Deferred tax assets	$405,398					$229,882
Deferred tax liabilities	$-					$39,921

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The following table contains information of the unused tax losses of the Company:

			Unused tax losses as at		
Entities	Year	Tax losses for the period	December 31, 2020	December 31, 2019	Expiration year
The Company	2009	$372,867	$-	$115,242	2019

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that have not been recognized amounted to NT$0 thousand and NT$6,345 thousand, respectively.

The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company is as follows:

Entities	The assessment of income tax returns
The Company	Assessed and approved up to 2018

(22) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2020	2019
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,636,653	$3,041,566
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,745	1,222,745
Basic earnings per share (NT$)	$2.97	$2.49
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,636,653	$3,041,566
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,745
Effect of dilution:		
Employee compensation－stock (in thousands)	13,079	10,499
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,235,824	1,233,244
Diluted earnings per share (NT$)	$2.94	$2.47

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

A. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Other related parties (Note)	Subsidiary of MediaTek Inc.
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates
KYEC USA Corp.	Subsidiaries
KYEC SINGAPORE PTE. LTD.	Subsidiaries
KYEC Japan K.K.	Subsidiaries
King Long Technology (Suzhou) Ltd.	Subsidiaries
Suzhou Zhengkuan Technology Ltd.	Subsidiaries
King Ding	Subsidiaries

Note : The Company's transactions with these companies are not material.

B. Significant transactions with related parties

(a) Operating income

	For the years ended December 31,	
	2020	2019
MediaTek Inc.	$2,820,870	$1,852,957
Mediatek Singapore Pte. Ltd.	2,177,299	913,779
Other related parties	391,058	335,943
Subsidiaries	151,836	36,020
Associates	5,585	5,930
Total	$5,546,648	$3,144,629

The various trading price to related parties was determined through mutual agreement based on the market demands. The trade credit terms for related parties were 45 to 180 days, while the terms for non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) The Company purchased inventories from associates and subsidiaries. For the year ended December 31, 2020, the purchase amounts were NT$77,608 thousand and NT$537 thousand, respectively. The Company purchased inventories from associates and subsidiaries, for the year ended December 31, 2019, the purchase amount were NT$51,369 thousand and NT$1,810 thousand, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.

(c) The Company appointed an associate to perform machinery repairs. For the years ended December 31, 2020 and 2019, the operating cost recognized amounted to NT$300,730 thousand and NT$312,790 thousand, respectively. The Company appointed a subsidiary to perform machinery repairs. For the years ended December 31, 2020 and 2019, the operating cost recognized amounted to NT$3,680 thousand and NT$711 thousand, respectively.

(d) The Company paid rental expenses for renting machines from associates. For the years ended December 2020 and 2019, the rental expenses amounted to NT$6,605 thousand and NT$0 thousand, respectively. The rental price was based on the similar machine’s rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(e) Significant property transactions with related parties:

i. Disposal of property, plant and equipment

	For the year ended December 31, 2020		For the year ended December 31, 2019	
Related party	Sales price	Disposal gain	Sales price	Disposal gain
King Long Technology (Suzhou) Ltd.	$287,847	$37,863	$596,056	$80,968
Subsidiaries	27,847	12,873	34,077	19,738
Associates	14,869	5,678	9,423	5,028
Subtotal	330,563	56,414	639,556	105,734
Unrealize gain on disposal in current year (Note)	-	4,917	-	(38,967)
Net Amount	$330,563	$61,331	$639,556	$66,767

Note : The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

	For the year ended December 31, 2020	For the year ended December 31, 2019
Related party	Purchase price	Purchase price
Subsidiaries	$243,360	$146,695
Associates	123,070	106,826
Total	$366,430	$253,521

The purchase price was determined through mutual agreement based on the market demand.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(f) Contract assets

Contract assets – current

	December 31, 2020	December 31, 2019
Other related parties		
MediaTek Inc.	$-	$1,293
MediaTek Singapore Pte. Ltd.	-	500
Total	-	1,793
Less: loss allowance	-	-
Net	$-	$1,793

(g) Trade receivables from related parties

	December 31, 2020	December 31, 2019
MediaTek Inc.	$1,056,080	$449,983
Mediatek Singapore Pte. Ltd.	523,417	310,465
King Long Technology (Suzhou) Ltd.	67,066	15,558
Airoha Technology Corp.	51,245	90,465
Other related parties	48,791	19,391
Subsidiaries	2,618	107
Associates	461	203
Less: loss allowance	-	-
Net	$1,749,678	$886,172

(h) Other receivables from related parties

	December 31, 2020	December 31, 2019
King Long Technology (Suzhou) Ltd.	$71,659	$786,490
MediaTek Inc.	25,708	6,235
Associates	6,951	-
Suzhou Zhengkuan Technology Ltd.	5,427	10,158
Subsidiaries	1,575	280
Other related parties	598	1,721
King Ding	-	16,590
Total	$111,918	$821,474

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(i) Account payables to related parties

	December 31, 2020	December 31, 2019
Wei Jiu Industrial Co., Ltd.	$16,512	$30,713
Associates	2,975	-
Subsidiaries	-	624
Total	$19,487	$31,337

(j) Other payables to related parties

	December 31, 2020	December 31, 2019
King Long Technology (Suzhou) Ltd.	$233,588	$-
Fixwell Technology Corp.	46,612	62,269
Wei Jiu Industrial Co., Ltd.	18,013	27,712
KYEC USA Corp.	3,987	6,596
Other subsidiaries	3,052	3,406
Other related parties	831	1,067
King Ding	-	17,955
Total	$306,083	$119,005

(k) The Company paid NT$99,387 thousand and NT$118,158 thousand as commission expenses to the subsidiaries for the years ended December 31, 2020 and 2019, respectively.

(l) Other income

	For the years ended December 31,	
	2020	2019
Subsidiaries	$926	$7,510
Associates	681	-
Total	$1,607	$7,510

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

C. Endorsements and guarantees:

As of December 31, 2020, the Company guaranteed Suzhou Zhengkuan Technology Ltd. 's lines of credit which were provided by KGI Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, E.SUN Bank (China) in Dongguan branch, Bank of Taiwan in Shanghai branch, and SinoPac Commercial Bank in Shanghai branch. Please refer to Note 9 for more details.

D. Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	$120,917	$123,311
Post-employment benefits	1,004	1,082
Total	$121,921	$124,393

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2020	December 31, 2019	Purpose of pledge
Other non-current financial assets	$115,669	$113,125	Customs clearance
Land	914,594	914,594	Long-term borrowings
Building and facility	1,273,901	1,797,524	Long-term borrowings
Machinery and equipment	6,898,747	842,178	Long-term borrowings
Total	$9,202,911	$3,667,421	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2020, the following contingencies and material commitments were not included in the Company's financial statements:

A. The Company's issued and outstanding letters of credit is approximately NT$510,912 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT$728,165 thousand with NT$536,833 thousand already paid and NT$191,332 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT$48,006,475 thousand.

D. The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.'s lines of credit. The lines of credit were provided by KGI Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, E.SUN Commercial Bank (China) in Dongguan branch, Bank of Taiwan in Shanghai branch and SinoPac Commercial Bank in Shanghai branch in the amount of US$8,000 thousand, US$5,000 thousand, US$5,000 thousand, CNY$30,000 thousand, CNY$30,000 thousand and CNY$50,000 thousand, respectively.

E. The Company entered into loan agreements with Mega International Commercial Bank and First Commercial Bank , the following financial covenants shall be maintained on annual basis during the period from 2020 to 2025:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio no less than 300%.

The Company entered into a loan agreement with Far Eastern Int'l Bank , the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2020 to 2023:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio no less than 300%.

The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2018 to 2023:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2018 to 2023, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

The Company entered into a syndicated loan agreement with 13 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2020 to 2025:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2020 to 2025, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

As of December 31, 2020, the Company did not violate any financial covenants.

F. As some shareholders of Dawning has claimed objections against the merger transaction with Dawning relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price on November 20, 2018. The Company reached a settlement with the abovementioned shareholders on August 31, 2020, and two parties submitted the settlement letter to Hsinchu District Court in September 2020. This case has no significant impact on the Company's operation.

10. Losses due to Major Disasters

None.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

11. Significant Subsequent Events

On March 12, 2021, the Board of Directors resolved to approve the proposal for King Long Technology (Suzhou) Ltd. to launch an initial public offering ("IPO") of RMB denominated ordinary shares (A- shares) on the Shanghai Stock Exchange or Shenzhen Stock Exchange. The IPO resolution will need to be approved by the shareholders' meeting.

12. Others

(1) Categories of financial instruments

Financial assets	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:		
Financial assets at fair value through other comprehensive income	$4,446,563	$2,455,280
Financial assets measured at amortized cost (Note)	10,316,832	9,875,472
Total	$14,763,395	$12,330,752

Financial liabilities	December 31, 2020	December 31, 2019
Financial liabilities at amortized cost:		
Payables (including related parties)	$814,316	$808,470
Other payables (including related parties)	3,423,827	3,671,426
Long-term loans (including current portion)	18,318,298	16,944,660
Lease liabilities	838,236	1,232,514
Guarantee deposits	2,755	1,933
Total	$23,397,432	$22,659,003

Note: Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit Committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primarily for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates of US$. The sensitivity analysis is as follows:

When NT$ appreciates or depreciates against US$ by 1%, the profit for the years ended December 31, 2020 and 2019 would have increased / decreased by NT$2,406 thousand and NT$3,124 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rate. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company's sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT$18,360 thousand and NT$16,982 thousand for the years ended December 31, 2020 and 2019, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2020 and 2019, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT$5,623 thousand and NT$11,025 thousand on the equity attributable to the Company.

Please refer to Note 12(3) section H for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

D. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment and insurance.

As of December 31, 2020 and 2019, receivables from top ten customers represented 49% and 49% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

E. Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investments in securities with high liquidity, and facilities of bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2020						
Payables	$4,238,143	$-	$-	$-	$-	$4,238,143
Borrowings	160,053	6,468,700	9,632,289	1,655,063	909,521	18,825,626
Lease liabilities (Note)	304,358	79,436	15,642	15,917	422,883	838,236
December 31, 2019						
Payables	$4,479,896	$-	$-	$-	$-	$4,479,896
Borrowings	229,493	11,231,460	1,494,818	4,619,832	-	17,575,603
Lease liabilities (Note)	788,269	13,854	14,116	14,382	401,893	1,232,514

Note: Information about the maturities of lease liabilities is provided in the table below:

	Maturity Period				
Lease liabilities	Less than 1 year	1 to 5 years	6 to 10 years	> 10 years	Total
December 31, 2020	$304,358	$126,995	$101,747	$305,136	$838,236
December 31, 2019	$788,269	$56,983	$76,137	$311,125	$1,232,514

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2020:

	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$16,944,660	$1,232,514	$18,177,174
Cash flows	1,434,194	(505,826)	928,368
Non-cash changes			
Syndicated loan issuance costs	16,380	-	16,380
Amortization on bonds payable	(3,765)	-	(3,765)
Addition to right-of-use assets	-	89,750	89,750
Remeasurement of lease liabilities		26,651	26,651
Foreign exchange movement	(73,171)	(4,853)	(78,024)
As of December 31, 2020	$18,318,298	$838,236	$19,156,534

Reconciliation of liabilities for year ended December 31, 2019:

	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	$16,628,004	$-	$16,628,004
Beginning adjustments	-	471,190	471,190
Cash flows	395,952	(13,347)	382,605
Non-cash changes			
Syndicated loan issuance costs	13,370	-	13,370
Amortization on bonds payable	(1,351)	-	(1,351)
Addition to right-of-use assets	-	774,671	774,671
Foreign exchange movement	(91,315)	-	(91,315)
As of December 31, 2019	$16,944,660	$1,232,514	$18,177,174

G. Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments.

b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company’s financial assets and financial liabilities measured at amortized cost approximate their fair value.

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(3) section H for fair value measurement hierarchy for financial instruments of the Company.

H. Fair value measurement hierarchy

a. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$28,117	$-	$4,418,446	$4,446,563

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$55,123	$-	$2,400,157	$2,455,280

Transfers between Level 1 and Level 2 during the period

The Transfer between Level 1 and Level 2 during 2019 was because the expiry of lock-up period of the related investments. There was no such transfer during 2020.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2020：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2020	$2,400,157
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	2,018,289
Ending balances as at December 31, 2020	$4,418,446

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2019:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2019	$1,725,878
Liquidation return of surplus value	(395)
Total gains and losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	674,279
Reversal of liquidation loss recognized in retain earnings	395
Ending balances as at December 31, 2019	$2,400,157

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2020

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$489,775 thousand.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$1,495 thousand.

As at December 31, 2019

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$265,575 thousand.
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$1,426 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

I. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2020		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$173,133	28.48	$4,930,838
JPY	209,229	0.2763	57,810
CNY	577	4.377	2,527
Monetary financial liabilities			
US$	181,580	28.48	5,171,411
JPY	254,698	0.2763	70,373
CNY	-	4.377	-

	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$151,257	29.98	$4,534,696
JPY	260,886	0.276	72,005
CNY	139,694	4.305	601,381
Monetary financial liabilities			
US$	161,676	29.98	4,847,058
JPY	315,880	0.276	87,183
CNY	138,000	4.305	594,090

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT$39,870 thousand and NT$55,551 thousand for the years ended December 31, 2020 and 2019, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

J. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2020:

A. Financing provided to others: None.
B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.
C. Securities held as of December 31, 2020: Please refer to Attachment 2.
D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: Please refer to Attachment 3.
F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: Please refer to Attachment 5.
I. Financial instruments and derivative transactions: None.
J. Parent-subsidiary relationship between business dealings and important circumstance: Please refer to Attachment 6.

(2) Information on investees

A. Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 7.

B. The following are additional disclosures for investee companies KYEC has significant influence or control:

a. Financing provided to others: None.
b. Endorsement/Guarantee provided to others: None.
c. Securities held as of December 31, 2020: None.
d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2020: Please refer to Attachment 5.
i. Financial instruments and derivative transactions: None.

(2) Investment in Mainland China: Please refer to Attachment 8.

(3) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2020.

KING YUAN ELECTRONICS CO., LTD.

Attachment 1

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	Suzhou Zhengkuan Technology Ltd.	(Note1)	$5,863,814	$1,364,430	$994,110	$369,806	-	3.39%	$11,727,628	Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2020.

KING YUAN ELECTRONICS CO., LTD. Attachment 2

MARKTEABLE SECURITIES HELD

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock	ADL Engineering INC.	-	Non-current financial assets at fair value through other comprehensive income	210,614	$-	1.76%	$-	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	57,810,000	1,203,620	7.58%	1,203,620	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	2.74%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	3,204,360	16.78%	3,204,360	
	Stock	Mcube Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.97%	-	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	436,046	15,174	1.23%	15,174	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	12,943	0.32%	12,943	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	10,466	17.16%	10,466	

KING YUAN ELECTRONICS CO., LTD.

Attachment 3

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE CAPITAL PAID-IN

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
The Company	Land and building	2020.10.30 (Note)	$350,000	According to the trading term of purchase order, no payment needed as of December 31, 2020.	Henghou Xingye Co., Ltd.	None	Not applicable				Reference to valuation report	Purpose: to meet the needs of future operation and development Using status: ownership not transferred	None
The Company	Land and building	2020.12.25 (Note)	$639,000	According to the trading term of purchase order, no payment needed as of December 31, 2020.	Weishun architecture Co., Ltd.	None	Not applicable				Price comparison and bargaining	Purpose: to meet the needs of future operation and development Using status: ownership not transferred	None

Note:Board of Directors approval date. As of December 31, 2020, the purchase agreement has not been signed.

KING YUAN ELECTRONICS CO., LTD.

Attachment 4

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)	
			Purchase/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	$2,820,870	12.08%	Month-end 75 days	-	-	$1,056,080	20.78 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$2,177,299	9.33%	Month-end 60 days	-	-	$523,417	10.30 %
	Airoha Technology Corporation	Subsidiary of MediaTek Inc.	Sales	$247,795	1.06%	Month-end 60 days	-	-	$51,245	1.01 %
	King Long Technology (Suzhou) Ltd.	Subsidiary	Sales	$142,873	0.61%	Month-end 180 days	-	-	$67,066	1.32 %
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	$127,948	2.72%	Month-end 180 days	-	-	$72,255	9.30 %

KING YUAN ELECTRONICS CO., LTD.

Attachment 5

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	$1,081,788 (Note 1)	3.74	$9,560	-	$647,514	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	$523,774 (Note 2)	5.22	$16	-	$326,683	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	$138,725 (Note 3)	3.46	$-	-	$65,397	-
King Long Technology (Suzhou) Ltd.	KING YUAN ELECTRONICS CO., LTD.	The parent company	$233,650 (Note 4)	3.90	$-	-	$-	-
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	$123,174 (Note 5)	1.71	$-	-	$43,939	-

Note 1： Includes other receivables - related party amounting to NT$25,708 thousand arising from handling charges, freights and tax fees.

Note 2： Includes other receivables - related party amounting to NT$357 thousand arising from customs clearance charges and freights.

Note 3： Includes other receivables - related party amounting to NT$71,659 thousand arising from disposal of equipments and accessories.

Note 4： Includes other receivables - related party amounting to NT$233,456 thousand arising from disposal of equipments and accessories.

Note 5： Includes other receivables - related party amounting to NT$50,919 thousand arising from utility fees.

KING YUAN ELECTRONICS CO., LTD.

Attachment 6

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Finacial Statement Account	Amount (Foreign Currency in Thousands)	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	$46,458	according to contract	0.16%
				Accrued expenses	3,987		0.01%
		King Long Technology (Suzhou) Ltd.		Receivable on equipment	287,847		0.47%
				Payables on equipment	243,360		0.40%
				Accounts receivable	67,066		0.11%
				Other receivables	71,659		0.12%
				Accrued expenses	233,588		0.38%
				Sales revenue	142,873		0.49%
				Deferred credits	101,869		0.17%
		KYEC Japan. K.K.		Other receivables	1,575		0.00%
				Accrued expenses	3,052		0.00%
				Commission expense	19,844		0.07%
		KYEC Singapore PTE. LTD.		Commission expense	33,084		0.11%
		Suzhou Zhengkuan Technology Ltd.		Endorsement guarantee	994,110		-
					(US$18,000)		-
					(CNY 110,000)		-
				Receivable on equipment	27,847		0.05%
				Accounts receivable	2,616		0.00%
				Other receivables	5,427		0.01%
				Sales revenue	8,941		0.03%
				Deferred credits	14,307		0.02%
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	127,948		0.44%
				Accounts receivable	72,255		0.12%
				Other receivables	50,919		0.08%

Note 1: The information of transactions between the Company and the conlidated subsidiaries should be noted in "Number" column.
(1) Number 0 represents the Company.
(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:
(1) The Company to the consolidated subsidiary.
(2) The consolidated subsidiary to the Company.
(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended December 31, 2020.	Note
				December 31,2020	December 31,2019	Shares	Percentage of Ownership	CarryingValue			
The Company	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	$4,973	$4,973	160,000	100.00 %	$12,035	$1,109	$1,109	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	5,691,034	1,072,053	1,072,053	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	362,498	68,186	68,186	
	KYEC Japan. K.K.	Note 4	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	56,828	4,796	4,309	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	2,130	132	132	
	Fixwell Technology Corp.	Note 6	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	46,981	43,506	10,076	
	Wei Jiu Industrial Co., Ltd.	Note 7	CNC center processing machine, lathe machining processing design and various precision mechanical components manufacturing	10,200	10,200	1,020,000	34.00 %	22,875	17,682	6,012	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	72,600	6,600,000	100.00 %	69,962	(2,443)	(2,443)	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 199,826	USD 38,319	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 12,728	USD 38,319	-	

Note 1: 101 Meto Drive., #540 San Jose, CA 95110 USA.
Note 2: Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.
Note 3: Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.
Note 4: 5F 2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.
Note 5: 750A Chai Chee Road Unit 07-22 Technopark @Chai Chee, Singapore 469001.
Note 6: No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)
Note 7: No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)
Note 8: No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)
Note 9: P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	$517,425 (USD 18,168)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	$3,521,694 (USD 123,655)	$-	$-	$3,521,694 (USD 123,655)	$1,140,239 (USD 38,319)	100%	$1,140,239 (USD 38,319)	$6,053,533 (USD 212,554)	$-
Suzhou Zhengkuan Technology Ltd.	Note 3	$2,328,589 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	$1,388,931 (USD 48,769)	$-	$-	$1,388,931 (USD 48,769)	$113,006 (USD 3,855)	100%	$113,006 (USD 3,855)	$505,845 (USD 17,761)	$-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$4,910,625 (USD 172,424)	$4,910,625 (USD 172,424)	$17,591,443

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integarted circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: Investment was through King Long Technology (Suzhou) Ltd.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

KING YUAN ELECTRONICS CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and cash equivalents	Including US$26,710 thousand and JPY209,229 thousand	$ 4,520,784	Exchange rate of Dec.31, 2020:
Time deposits		590,000	NT$ 28.48 = US$ 1
Total		$ 5,110,784	NT$ 0.2763 = JPY 1

KING YUAN ELECTRONICS CO., LTD.

2.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-CURRENT

December 31, 2020

(In Thousands of New Taiwan Dollars)

Financial product	Balance, January 1, 2020		Increase in 2020		Decrease in 2020		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2020		Provide pledged as collateral assets	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value		Shares	Fair Value		
Unimicron Technology Corporation	717,000	$ 30,114	-	$ -	717,000	$ (65,027)	$ 34,913	-	$ -	N/A	
Total		$ 30,114		$ -		$ (65,027)	$ 34,913		$ -		

Note: The Company disposed of all securities of Unimicron Technology Corporation in November 2020.

KING YUAN ELECTRONICS CO., LTD.

3.STATEMENT OF NOTES RECEIVABLE, NET

December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
GSI Technology Taiwan, Inc.		$ 3,049	

KING YUAN ELECTRONICS CO., LTD.

4.STATEMENT OF TRADE RECEIVABLES, NET

December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Omnvision Technologies Singapore Pte. Ltd.		$ 224,209	
Nvidia Corporation		192,242	
Phison Electronics Corporation Jhunan Branch		179,341	
Himax Technologies, Inc.		179,086	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,377,966	
Total		3,152,844	
Less: loss allowance		(25,158)	
Net		$ 3,127,686	

KING YUAN ELECTRONICS CO., LTD.

5.STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
MediaTek Inc.		$ 1,056,080	
Mediatek Singapore Pte. Ltd.		523,417	
King Long Technology (Suzhou) Ltd.		67,066	
Airoha Technology Corp.		51,245	
Richtek Technology Corp.		27,853	
EcoNet (Suzhou) Limited		17,156	
Suzhou Zhen Kun Technology Limited		2,616	
Chingis Technology Corporation		2,579	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	1,666	
Total		$ 1,749,678	

KING YUAN ELECTRONICS CO., LTD.

6.STATEMENT OF OTHER RECEIVABLES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Other receivables		$ 117,027	
Tax refund		242	
Interest receivable		431	
Total		117,700	
Less: loss allowance		(23,149)	
Net		$ 94,551	

KING YUAN ELECTRONICS CO., LTD.

7.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		$ 71,659	
MediaTek Inc.		25,708	
Fixwell Technology Corp.		6,951	
Suzhou Zhengkuan Technology Ltd.		5,427	
KYEC Japan K.K.		1,575	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	598	
Total		$ 111,918	

KING YUAN ELECTRONICS CO., LTD.

8.STATEMENT OF INVENTORIES, NET

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	market price	
Raw materials		$ 685,751	$ 765,877	Inventory are valued at lower of cost and net realized value.
Work in process		178,730	178,730	
Total		864,481	$ 944,607	
Less: allowance for inventory valuation and obsolescence losses		(90,337)		
Net		$ 774,144		

KING YUAN ELECTRONICS CO., LTD.

9.STATEMENT OF OTHER CURRENT ASSETS

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payments on behalf of others		$ 51,370	
Temporary payments		473	
Total		$ 51,843	

KING YUAN ELECTRONICS CO., LTD.

10.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME-NON-CURRENT

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Securities Name	Balance, January 1, 2020				Increase in 2020		Decrease in 2020		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2020		Assets pledged as collateral	Note
	Shares	Cost of an investment	Unrealized gain or loss	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair value		
ADL Engineering INC.	210,614	$ 327,490	$ (327,490)	$ -	-	$ -	-	$ -	$ -	210,614	$ -	N/A	
Shieh Yong Investment Co., Ltd.	57,810,000	500,000	16,835	516,835	-	-	-	-	686,785	57,810,000	1,203,620	N/A	
APM Communication, Inc.	10,456	23,427	(23,427)	-	-	-	-	-	-	10,456	-	N/A	
Greenliant Systems, Ltd.	2,333,333	30,300	(30,300)	-	-	-	-	-	-	2,333,333	-	N/A	
YANN YUAN Investment Co., Ltd.	25,000,000	1,275,000	598,338	1,873,338	-	-	-	-	1,331,022	25,000,000	3,204,360	N/A	
Mcube Inc.	528,745	44,880	(44,880)	-	-	-	-	-	-	528,745	-	N/A	
IROC Co., Ltd.	436,046	15,275	(1,605)	13,670	-	-	-	-	1,504	436,046	15,174	N/A	
Subtron Technology Co., Ltd.	927,147	7,983	3,356	11,339	-	-	-	-	1,604	927,147	12,943	N/A	
CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	11,965,500	45,711	(35,727)	9,984	-	-	-	-	482	11,965,500	10,466	N/A	
Total		$ 2,270,066	$ 155,100	$ 2,425,166		$ -		$ -	$ 2,021,397		$ 4,446,563		

KING YUAN ELECTRONICS CO., LTD.
11.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2020		Increase in 2020		Decrease in 2020		Investment income (loss)	Cumulative translation adjustment	Capital surplus adjustment	Retained earnings adjustment	Balance, December 31, 2020			Market value or net assets value		Assets pledged as collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	%	Amount	Unit price	Total amount		
KYEC USA Corp.	160,000	$ 11,732	-	$ -	-	$ -	$ 1,109	$ (806)	$ -	$ -	160,000	100.00%	$ 12,035	$ 75.22	$ 12,035	N/A	
KYEC Investment International Co., Ltd.	164,923,636	4,518,785	-	-	-	-	1,072,053	100,191	-	5	164,923,636	100.00%	5,691,034	34.51	5,691,034	N/A	
KYEC Technology Management Co., Ltd.	7,500,000	287,967	-	-	-	-	68,186	6,345	-	-	7,500,000	100.00%	362,498	48.33	362,498	N/A	
KYEC Japan K.K.	1,899	52,497	-	-	-	-	4,309	22	-	-	1,899	89.83%	56,828	29,924.88	56,828	N/A	
KYEC SINGAPORE PTE LTD.	78,000	2,024	-	-	-	-	132	(26)	-	-	78,000	100.00%	2,130	27.31	2,130	N/A	
Fixwell Technology Corp	2,800,000	45,305	-	-	-	(8,400)	10,076	-	-	-	2,800,000	23.33%	46,981	16.78	46,981	N/A	Note1
Wei Jiu Industrial Co., Ltd.	1,020,000	19,923	-	-	-	(3,060)	6,012	-	-	-	1,020,000	34.00%	22,875	25.63	22,875	N/A	Note1
King Ding Precision Incorporated Company	6,600,000	74,055	-	-	-	(1,650)	(2,443)	-	-	-	6,600,000	100.00%	69,962	10.69	69,962	N/A	Note1
Subtotal		5,012,288		-		(13,110)	1,159,434	105,726	-	5			6,264,343				
Less:deferred credits		(121,094)		(48,185)		53,102	-	-	-	-			(116,177)				
Total		$ 4,891,194		$ (48,185)		$ 39,992	$ 1,159,434	$ 105,726	$ -	$ 5			$ 6,148,166				

Note 1: The decrease amount is due to the cash dividends received.

KING YUAN ELECTRONICS CO., LTD.

12.STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

A. Please refer to Note 6.(8) for more details of the changes in property, plant and equipment and accumulated depreciation of property, plant and equipment.

B. Please refer to Note 8 for property, plant and equipment under pledges.

C. Details of transfer are as following:

Transferred from prepayments	$	60,276
Transferred from right-of-use asset	$	32,681
Transferred to intangible assets	$	-

D.Depreciation expense details are as following:

Operating costs	$	6,311,631
Selling expenses		4,098
Administration expenses		393,219
Research and development expenses		100,449
Total	$	6,809,397

KING YUAN ELECTRONICS CO., LTD.
13.STATEMENT OF RIGHT-OF-USE ASSETS
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2020	Increase in 2020 (Note)	Decrease in 2020	Transfer in 2020	Balance, December 31, 2020
Acquisition costs					
Land	$ 471,190	$ 41,706	$ -	$ -	$ 512,896
Machinery and equipment	774,671	74,695	-	(36,910)	812,456
Total costs	1,245,861	116,401	-	(36,910)	1,325,352
Accumulated depreciation					
Land	$ 17,242	$ 18,853	$ -	$ -	$ 36,095
Machinery and equipment	-	102,055	-	(4,229)	97,826
Total accumulated depreciation	17,242	120,908	-	(4,229)	133,921
Book value	$ 1,228,619	$ (4,507)	$ -	$ (32,681)	$ 1,191,431

Note: Include remeasurment of lease contracts.

KING YUAN ELECTRONICS CO., LTD.

14.STATEMENT OF INTANGIBLE ASSETS AND OTHER ASSETS-NON-CURRENT

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Intangible assets			$ 80,159	Please refer to Note 6.(9) for more details on intangible assets.
Refundable deposits	Golf club membership deposit	$ 3,000		
	Car rental deposit	230		
	Others	267	$ 3,497	
Other financial assets-non-current	Customs deposit		$ 115,669	Please refer to Note 8 for more details.

KING YUAN ELECTRONICS CO., LTD.

15.STATEMENT OF NOTES PAYABLE

December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Acer E-enabling Service Business Inc.		$ 4,285	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	150	
Total		$ 4,435	

KING YUAN ELECTRONICS CO., LTD.

16.STATEMENT OF ACCOUNTS PAYABLE

December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
FASTPRINT HONGKONG CO., LIMITED		$ 41,907	
PIN-JET MICROTECH., CO., LTD.		37,132	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	711,355	
Total		$ 790,394	

KING YUAN ELECTRONICS CO., LTD.

17.STATEMENTS OF PAYABLES TO RELATED PARTIES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Wei Jiu Industrial Co., Ltd.		$ 16,512	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,975	
Total		$ 19,487	

KING YUAN ELECTRONICS CO., LTD.

18.STATEMENT OF OTHER PAYABLES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll		$ 465,311	
Accrued bonuses		445,422	
Accrued employees' compensations and remuneration to directors		433,481	
Accrued accessories expense		348,182	
Accrued utilities expense		105,655	
Accrued labor and health insurance expense		92,619	
Accrued pension expense		32,837	
Accrued repair expense		12,540	
Accrued interest		7,373	
Others		679,688	Note
Total		$ 2,623,108	

Note：Mainly indirect supplies.

KING YUAN ELECTRONICS CO., LTD.

19.STATEMENT OF OTHER PAYABLES TO RELATED PARTIES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Related parties	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		$ 233,588	
Fixwell Technology Corp.		46,612	
Wei Jiu Industrial Co., Ltd.		18,013	
KYEC USA Corp.		3,987	
KYEC Japan K.K.		3,052	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	831	
Total		$ 306,083	

KING YUAN ELECTRONICS CO., LTD.

20.STATEMENT OF PAYABLES TO EQUIPMENT SUPPLIERS

December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Xcerra Corporation		$ 82,838	
Teradyne (Asia) Pte Ltd.		76,341	
JIU HAN ENGINEERING CO., LTD.		58,954	
HON. PRECISION, INC.		54,447	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	222,056	
Total		$ 494,636	

KING YUAN ELECTRONICS CO., LTD.

21.STATEMENT OF LEASE LIABILITIES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	Balance, December 31, 2020	Note
Land		6 to 28 years	1.88%	$ 484,815	
Machinery and equipment		1 to 2 year	0.74%~1.76%	353,421	The Company considers the possibility to exercise the purchase option at the end of lease term.
				838,236	
Less: current portion				(304,358)	
Lease liabilities-non-current				$ 533,878	

KING YUAN ELECTRONICS CO., LTD.

22.STATEMENT OF OTHER CURRENT LIABILITIES

December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts on behalf of others		$ 380,535	
Allowance for sales returns and discounts		194,956	
Temporary receipts		1,626	
Unearned receipts		1,623	
Total		$ 578,740	

KING YUAN ELECTRONICS CO., LTD.
23.STATEMENT OF LONG-TERM LOANS
December 31, 2020

(In Thousands of New Taiwan Dollars)

Creditor	Description	Loan amount	Contract period	Range of interest rates	Terms of repayment	Note
Shanghai Commerical Bank	Unsecured loans	$ 911,360	2020.03.19~2023.03.19	0.83%	Please refer to Note 6.(12) for more details.	Please refer to Note 8 for more details on collateral.
Shanghai Commerical Bank	Unsecured loans	375,105	2020.03.27~2022.03.27	0.83%~0.92%		
Taishin Bank	Unsecured loans	1,300,000	2020.02.07~2023.02.07	1.09%		
Mega Bank	Unsecured loans	313,280	2020.09.19~2022.09.18	0.70%		
Land Bank	Unsecured loans	170,880	2020.03.03~2022.03.03	0.80%		
First Commercial Bank	Unsecured loans	12,463	2020.07.20~2022.07.20	0.74%		
MUFG Bank	Unsecured loans	56,960	2020.12.04~2022.12.04	0.75%		
Bank of China	Unsecured loans	712,000	2020.10.15~2022.10.14	0.60%~0.79%		
Taiwan Business Bank	Unsecured loans	541,120	2020.03.11~2022.03.11	0.50%~0.57%		
Cathay United Bank	Unsecured loans	227,840	2020.12.25~2022.12.25	0.66%		
HSBC Taiwan Bank	Unsecured loans	703,485	2020.10.27~2022.10.27	0.83%~0.88%		
Shin Kong Commerical Bank	Unsecured loans	284,800	2020.01.31~2022.12.11	0.71%		
Mizuho Bank	Unsecured loans	500,000	2021.01.01~2023.01.01	0.72%		
KGI Bank	Unsecured loans	400,000	2020.07.15~2024.07.15	0.99%		
O Bank	Unsecured loans	300,000	2020.02.07~2025.02.07	1.09%		
Mega Bank	Unsecured loans	680,000	2020.02.07~2025.02.07	1.08%		
Chang Hwa Commercial Bank	Unsecured loans	695,000	2020.01.20~2025.01.20	1.11%		
Fubon Bank	Unsecured loans	800,000	2020.02.07~2023.02.07	1.14%		
Bank of Taiwan	Unsecured loans	1,200,000	2020.01.20~2024.01.20	1.12%		
First Bank	Unsecured loans	895,497	2020.01.20~2025.01.20	1.16%		
Far Eastern Bank	Unsecured loans	1,100,000	2020.02.07~2023.02.07	1.02%		
CTBC Bank	Unsecured loans	300,000	2020.02.07~2024.02.07	1.19%		
Mega Bank and 17 others (Note 1)	Commercial Paper	5,680,000	2018.12.07~2023.12.06	1.26%		
Mega Bank and 13 others (Note 2)	Commercial Paper	200,000	2020.10.12~2025.10.11	1.15%		
Total		18,359,790				
Less: current portion		-				
Less: arrangement fee		(30,725)				
Less: unamortized discount		(10,767)				
Long-term loans		$ 18,318,298				

Note1: The Company entered into a syndicated loan agreement in the amount of 14.2 billion with 17 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, CTBC Commercial Bank, Bank of Taiwan, Land Bank of Taiwan, O Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, First Commercial Bank, Cathay United Commercial Bank, Hua Nan Commercial Bank, Shin Kong Commercial Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, KGI Commercial Bank, and Bank of Panhsin.

Note2: The Company entered into a syndicated loan agreement in the amount of 12 billion with 13 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, First Commercial Bank, Hua Nan Commercial Bank, Shanghai Commerical Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, Far Eastern Bank, Taiwan Business Bank, Shin Kong Commercial Bank, Agricultural Bank of Taiwan.

KING YUAN ELECTRONICS CO., LTD.

24.STATEMENT OF REVENUES

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Assembly and testing processing revenues		$ 19,666,024	
Revenues from rental of machinery		1,869,046	
Rental income from property		105,287	
Other operating revenues		1,704,401	
Total revenues		$ 23,344,758	

KING YUAN ELECTRONICS CO., LTD.

25.STATEMENT OF COSTS OF GOODS SOLD

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Costs of goods sold			
Raw materials used			
Balance, beginning of the year		$ 716,449	
Add： purchase		2,650,461	
Less： indirect consumables		(96,784)	
Less： transfer to other expenses		(446,249)	
Less： loss of inventory scrap		(3,931)	
Less： sale of raw materials		(57,797)	
Less： ending balance of the year		(685,751)	
Current consumption		2,076,398	
Direct labor		2,138,574	
Manufacturing overhead		13,706,654	
Manufacturing costs		17,921,626	
Add： work in process, beginning of the year		211,601	
Add： purchase for production consumables		66,992	
Less： transfer to other repair expenses		(235,121)	
Less： transfer to unfinished working orders		37,147	
Less： work in process, end of the year		(178,730)	
Cost of finished goods		17,823,515	
Add： finished goods, beginning of the year		-	
Less： finished goods, end of the year		-	
Less： transfer to processing costs		(14,911,034)	
Less： transfer to property, plant and equipments		(643,429)	
Less： transfer to others		(3,242)	
Costs of goods sold		2,265,810	
Processing costs		14,911,034	
Sale of raw materials		57,797	
Loss of inventory scrap		3,931	
Inventory valuation and obsolescence loss		42,208	
Operating costs		$ 17,280,780	

KING YUAN ELECTRONICS CO., LTD.

26.STATEMENT OF MANUFACTURING OVERHEAD

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Depreciation		$ 6,311,631	
Indirect labor		2,660,711	
Repairs and maintenance		1,607,827	
Utilities expense		1,202,283	
Consumable materials		982,475	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	941,727	
Total		$ 13,706,654	

KING YUAN ELECTRONICS CO., LTD.

27.STATEMENT OF SELLING EXPENSES

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 163,867	
Commission expense		99,387	
Import and export costs		27,560	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	68,190	
Total		$ 359,004	

KING YUAN ELECTRONICS CO., LTD.

28.STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 575,782	
Depreciation		393,219	
Repairs and maintenance		104,598	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	312,782	
Total		$ 1,386,381	

KING YUAN ELECTRONICS CO., LTD.

29.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 380,310	
Indirect consumables		309,957	
Depreciation		100,449	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	119,216	
Total		$ 909,932	

30. Note 6.(18) for more details on employee benefit, accumulated depreciation, and amortization.

English Translation of a Report and Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
WITH
INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE

Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)
Telephone: 886-3-5751888

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2020 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

King Yuan Electronics Co., Ltd.

Chairman: C. K. Lee

March 12, 2021

安永聯合會計師事務所
30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.
Tel: 886 3 688 5678
Fax: 886 3 688 6000
www.ey.com/taiwan

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

EY 安永
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Key Audit Matters

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

Revenue recognition
King Yuan Electronics Co., Ltd. and its subsidiaries recognized NT$28,959,304 thousand as net sales. Their main activities are providing testing and assembly services that represented 87%, or NT$25,066,252 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. and its subsidiaries are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the consolidated financial statements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate King Yuan Electronics Co., Ltd. and its subsidiaries 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 financial reporting process of King Yuan Electronics Co., Ltd. and its subsidiaries.

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd. and its subsidiaries.

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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. and its subsidiaries to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within King Yuan Electronics Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of King Yuan Electronics Co., Ltd. as of and for the years ended December 31, 2020 and 2019.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 12, 2021

Notice to Readers

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

- Accordingly, the accompanying consolidated financial statements and report of independent accountants 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. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2020	%	December 31, 2019	%
Current assets					
Cash and cash equivalents	4, 6(1)	$8,008,530	13	$6,166,005	11
Financial assets at fair value through other comprehensive income-current	4, 6(2)	-	-	30,114	-
Contract assets-current	4, 6(16), 6(17), 7	202,972	-	126,182	-
Notes receivable, net	4, 6(3), 6(17)	3,049	-	4,268	-
Accounts receivable, net	4, 6(4), 6(17)	4,164,991	7	4,936,281	9
Accounts receivable from related parties, net	4, 6(4), 6(17), 7	1,724,951	3	911,027	2
Other receivables		161,712	-	278,134	1
Other receivables from related parties	4, 7	33,257	-	7,956	-
Current tax assets		315	-	-	-
Inventories, net	4, 6(5)	980,969	2	1,081,035	2
Prepayments	6(6)	479,283	1	272,607	1
Other current assets		51,843	-	77,370	-
Other financial assets-current	8	4	-	4	-
Total current assets		15,811,876	26	13,890,983	26
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(2)	4,446,563	8	2,425,166	5
Investments accounted for using the equity method	4, 6(7)	69,856	-	65,228	-
Property, plant and equipment	4, 6(8), 6(20), 7, 8	39,147,575	64	36,890,887	67
Right-of-use asset	4, 6(18)	1,328,232	2	1,373,907	2
Intangible assets	4, 6(9), 6(10)	86,442	-	73,795	-
Deferred tax assets	4, 6(21), 6(22)	227,623	-	229,882	-
Other financial assets-non-current	8	115,669	-	113,125	-
Other non-current assets		81,682	-	16,176	-
Total non-current assets		45,503,642	74	41,188,166	74
Total assets		$61,315,518	100	$55,079,149	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2020	%	December 31, 2019	%
Current liabilities					
Short-term loans	4, 6(11), 9	$100,854	-	$493,383	1
Contract liabilities-current	4, 6(16), 7	229,603	-	68,330	-
Notes payable		4,435	-	1,633	-
Accounts payable		1,117,955	2	1,054,963	2
Accounts payable to related parties	7	19,487	-	30,713	-
Other payables		2,914,621	5	2,973,602	5
Other payables to related parties	7	65,456	-	91,048	-
Payables on equipment		623,324	1	963,512	2
Current tax liabilities	4, 6(22)	408,303	1	723,277	1
Lease liabilities-current	4, 6(18)	310,144	1	792,980	1
Current portion of long-term loans	4, 6(13), 8, 9	1,844,759	3	403,605	1
Other current liabilities	6(12)	580,856	1	303,923	1
Total current liabilities		8,219,797	14	7,900,969	14
Non-current liabilities					
Long-term loans	4, 6(13), 8, 9	21,966,029	36	19,924,440	36
Deferred tax liabilities	4, 6(21), 6(22)	667,968	1	39,921	-
Lease liabilities-non-current	4, 6(18)	566,437	1	485,263	1
Net defined benefit liabilities	4, 6(14)	566,456	1	528,169	1
Guarantee deposits		2,755	-	1,933	-
Total non-current liabilities		23,769,645	39	20,979,726	38
Total liabilities		31,989,442	53	28,880,695	52
Equity attributable to owners of the parent company					
Share capital	4, 6(15)				
Common stock		12,227,451	20	12,227,451	22
Capital surplus	4, 6(15)	4,588,172	7	4,832,721	9
Retained earnings	4, 6(15)				
Legal reserve		2,656,958	4	2,359,299	4
Special reserve		402,406	1	803,172	2
Undistributed earnings		8,147,631	13	6,371,702	12
Total retained earnings		11,206,995	18	9,534,173	18
Other equity	4, 6(15)	1,296,453	2	(402,406)	(1)
Equity attributable to owners of the parent company		29,319,071	47	26,191,939	48
Non-controlling interests	4, 6(15)	7,005	-	6,515	-
Total equity		29,326,076	47	26,198,454	48
Total liabilities and equities		$61,315,518	100	$55,079,149	100

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2020	%	2019	%
Net sales	4, 6(16), 6(18), 7	$28,959,304	100	$25,539,437	100
Operating costs	4, 6(5), 6(9), 6(14), 6(18), 6(19), 7	(21,005,316)	(73)	(18,523,521)	(73)
Gross profit		7,953,988	27	7,015,916	27
Operating expenses	4, 6(9), 6(14), 6(17), 6(18), 6(19), 7				
Selling expenses		(387,045)	(1)	(398,765)	(2)
Administrative expenses		(1,710,532)	(6)	(1,516,321)	(6)
Research and development expenses		(1,202,520)	(4)	(1,035,207)	(4)
Expected credit losses		(3,180)	-	(20,609)	-
Total operating expenses		(3,303,277)	(11)	(2,970,902)	(12)
Operating income		4,650,711	16	4,045,014	15
Non-operating income and expenses	4, 6(2), 6(7), 6(8), 6(10), 6(20), 7				
Interest income		19,335	-	12,617	-
Other income		260,488	1	175,516	1
Other gains and losses		(23,928)	-	(20,947)	-
Finance costs		(379,039)	(1)	(311,673)	(1)
Share of profit of associates accounted for using the equity method		16,088	-	14,336	-
Total non-operating income and expenses		(107,056)	-	(130,151)	-
Net income before income tax		4,543,655	16	3,914,863	15
Income tax expense	4, 6(22)	(906,515)	(3)	(873,379)	(3)
Net income		3,637,140	13	3,041,484	12
Other comprehensive income	4, 6(21)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(45,906)	-	(57,525)	-
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income		2,056,310	7	687,206	3
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(403,570)	(2)	(136,555)	(1)
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		105,729	-	(186,914)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(21,145)	-	37,373	-
Other comprehensive income, net of tax		1,691,418	5	343,585	1
Total comprehensive income		$5,328,558	18	$3,385,069	13
Net income attributable to :					
Owners of the parent company		$3,636,653	13	$3,041,566	12
Non-controlling interests		487	-	(82)	-
		$3,637,140	13	$3,041,484	12
Total comprehensive income attributable to :					
Owners of the parent company		$5,328,068	18	$3,385,203	13
Non-controlling interests		490	-	(134)	-
		$5,328,558	18	$3,385,069	13
Earnings per share(NT$)	4, 6(23)				
Basic Earnings Per Share		$2.97		$2.49	
Diluted Earnings Per Share		$2.94		$2.47	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company									
			Retained earnings			Other equity				
Description	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	Equity attributable to owners of the parent company	Non-controlling interests	Total Equity
Balance as of January 1, 2019	$12,227,451	$4,844,536	$2,179,765	$431,239	$5,597,293	$(292,128)	$(511,045)	$24,477,111	$42,741	$24,519,852
Appropriation and distribution of 2018 earnings:										
Legal reserve	-	-	179,534	-	(179,534)	-	-	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	(1,650,706)	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	3,041,566	(82)	3,041,484
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	343,637	(52)	343,585
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	3,385,203	(134)	3,385,069
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	(19,669)	(36,092)	(55,761)
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-	-	-
Balance as of December 31, 2019	$12,227,451	$4,832,721	$2,359,299	$803,172	$6,371,702	$(441,617)	$39,211	$26,191,939	$6,515	$26,198,454
Balance as of January 1, 2020	$12,227,451	$4,832,721	$2,359,299	$803,172	$6,371,702	$(441,617)	$39,211	$26,191,939	$6,515	$26,198,454
Appropriation and distribution of 2019 earnings:										
Legal reserve	-	-	297,659	-	(297,659)	-	-	-	-	-
Cash dividends	-	(244,549)	-	-	(1,956,392)	-	-	(2,200,941)	-	(2,200,941)
Reversal of special reserve	-	-	-	(400,766)	400,766	-	-	-	-	-
Profit for the year ended December 31, 2020	-	-	-	-	3,636,653	-	-	3,636,653	487	3,637,140
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(45,906)	84,581	1,652,740	1,691,415	3	1,691,418
Total comprehensive income	-	-	-	-	3,590,747	84,581	1,652,740	5,328,068	490	5,328,558
Changes in ownership interests in subsidiaries	-	-	-	-	5	-	-	5	-	5
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	38,462	-	(38,462)	-	-	-
Balance as of December 31, 2020	$12,227,451	$4,588,172	$2,656,958	$402,406	$8,147,631	$(357,036)	$1,653,489	$29,319,071	$7,005	$29,326,076

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	2020	2019	Description	2020	2019
Cash flows from operating activities :			**Cash flows from investing activities :**		
Profit before tax from continuing operations	$4,543,655	$3,914,863	Proceeds from disposal of financial assets at fair value through other comprehensive income	$65,027	$-
Adjustments for :			Proceeds from capital return of financial assets at fair value through other comprehensive income	-	395
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	-	101,885
Depreciation	8,355,775	6,971,919	Acquisition of property, plant and equipment	(10,935,021)	(11,621,595)
Amortization	52,193	87,531	Proceeds from disposal of property, plant and equipment	89,917	121,535
Expected credit losses	3,180	20,609	Increase in refundable deposits	(65,528)	(192)
Gains on financial assets and liabilities at fair value through profit or loss	-	(424)	Acquisition of intangible assets	(64,763)	(26,418)
Interest expenses	379,039	311,673	Increase in other financial assets	(2,544)	(3,213)
Interest income	(19,335)	(12,617)	Dividend received	62,426	49,858
Dividend income	(50,966)	(38,398)	Net cash used in investing activities	(10,850,486)	(11,377,745)
Investment gain accounted for using the equity method	(16,088)	(14,336)			
Loss (gain) on disposal of property, plant and equipment	15,524	(8,338)			
Impairment of non-financial assets	153,955	91,181			
Unrealized foreign exchange gain	(264,212)	(234,047)			
Changes in operating assets and liabilities :					
Contract Assets	(76,790)	163,245			
Notes receivable	1,219	9,576			
Accounts receivable	791,252	(538,180)	**Cash flows from financing activities :**		
Accounts receivable from related parties	(813,924)	(141,296)	Increase in short-term loans	145,628	780,438
Other receivables	99,768	(73,767)	Decrease in short-term loans	(535,872)	(377,519)
Other receivables from related parties	(18,780)	3,264	Borrowing in long-term loans	28,934,872	21,591,057
Inventories	100,066	44,717	Repayments of long-term loans	(25,212,072)	(17,999,744)
Prepayments	(266,952)	(8,927)	Increase in guarantee deposits	822	360
Other current assets	25,527	113,729	Cash payments for the principal portion of the lease liabilities	(510,312)	(18,186)
Contract liabilities	161,273	(61,873)	Cash dividends	(2,200,941)	(1,650,706)
Notes payable	2,802	(48,523)	Acquisition of ownership interests in subsidiaries	-	(37,070)
Accounts payable	62,992	(128,802)	Interest paid	(372,098)	(274,418)
Accounts payable to related parties	(11,226)	18,322	Net cash provided by financing activities	250,027	2,014,212
Other payables	(50,354)	673,593			
Other payables to related parties	(25,592)	13,937			
Other current liabilities	276,933	24,255			
Accrued pension liabilities	(7,619)	(10,926)			
Cash generated from operating activities	13,403,315	11,141,960	Effect of changes in exchange rate on cash and cash equivalents	40,259	(90,580)
Interest received	15,623	17,209	Net increase in cash and cash equivalents	1,842,525	1,379,379
Income tax paid	(1,016,213)	(325,677)	Cash and cash equivalents at the beginning of the year	6,166,005	4,786,626
Net cash provided by operating activities	12,402,725	10,833,492	Cash and cash equivalents at the end of the year	$8,008,530	$6,166,005

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

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("KYEC") was incorporated under the Company Law of the Republic of China ("R.O.C) on May 28, 1987, and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of KYEC were listed on the Taiwan Stock Exchange. KYEC's registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The accompanying consolidated financial statements of KYEC and its subsidiaries ("the Company") were approved and authorized for issue by the Board of Directors on March 12, 2021.

3. Newly Issued or Revised Standards and Interpretations

(1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment described below, the remaining new standards and amendments had no material effect on the Company.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)
The Company elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) and its transitional requirements which are recognized by FSC for annual periods beginning on or after January 1, 2020. For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted for it as a variable lease payment. The amendment had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

A. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on companies' financial statements:

a. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
b. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
c. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2023
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
D	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
E	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
F	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

A. IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

a. estimates of future cash flows;
b. discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
c. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current – Amendment to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial Statements and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

a. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

b. Property, Plant and Equipment-Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

c. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

d. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

E. Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

F. Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and TIFRS as endorsed by FSC.

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The accompanying consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangements;
c. the Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date the Company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period with the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

If the Company loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. derecognizes the carrying amount of any non-controlling interest;
c. recognizes the fair value of the consideration received;
d. recognizes the fair value of any investment retained;
e. recognizes any surplus or deficit in profit or loss; and
f. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of Ownership(%)	
Investor	Subsidiary	Business nature	2020.12.31	2019.12.31
KYEC	KYEC USA Corp.	Sales agent and business communication in USA	100.00	100.00
KYEC	KYEC Investment International Co., Ltd.	General investing	100.00	100.00
KYEC	KYEC Technology Management Co., Ltd.	General investing	100.00	100.00
KYEC	KYEC Japan K.K.	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	89.83	89.83
KYEC	KYEC SINGAPORE PTE. Ltd.	Sales agent and business communication in Southeast Asia and Europe	100.00	100.00
KYEC	King Ding Precision Incorporated Company	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	100.00	100.00
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	94.02	94.02
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	5.98	5.98

			Percentage of Ownership(%)	
Investor	Subsidiary	Business nature	2020.12.31	2019.12.31
KYEC Microelectronics Co., Ltd.	King Long Technology (Suzhou) Ltd.	Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integrated circuits	100.00	100.00
KYEC Investment International Co., Ltd.	Sino-Tech Investment Co., Ltd.	General investing	- (Note)	100.00
KYEC Investment International Co., Ltd.	Strong Outlook Investments Ltd.	General investing	- (Note)	100.00
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery	100.00 (Note)	100.00 (Note)

Note:
For the purpose of reorganization, the ownership of Suzhou Zhengkuan Technology Ltd. which was previously held by Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Ltd., was transferred to King Long Technology (Suzhou) Ltd. The liquidation of Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Ltd. was complete in the first quarter of 2020.

Foreign currency transactions

The Company's consolidated financial statements are presented in NT$, which is also the parent company's functional currency. Each entity in the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. foreign currency items within the scope of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.

C. exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign operation. In partial disposal of an associate or jointly arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:
A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. the Company holds the asset primarily for the purpose of trading;
C. the Company expects to realize the asset within twelve months after the reporting period; or
D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
A. the Company expects to settle the liability in its normal operating cycle;
B. the Company holds the liability primarily for the purpose of trading;
C. the liability is due to be settled within twelve months after the reporting period; or
D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within twelve months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Company's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
d. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

a. the rights to receive cash flows from the asset have expired.
b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments”.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:
a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a. in the principal market for the asset or liability, or
b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

The Company's investment in its associates is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new shares, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". In determining the value in use of the investment, the Company estimates:

A. its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 "Impairment of Assets".

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, Plant and Equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	20～31 years
Plant equipment	5～16 years
Machinery and equipment	2～ 8 years
Transportation equipment	3～ 6 years
Office equipment	3～ 5 years
Right-of-use assets (Note)	6～ 58 years
Leased assets	3～11 years
Leasehold improvements	10 years

Note:
The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The Company assesses whether the contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of consolidated comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

B. The Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A. Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b. its intention to complete and its ability to use or sell the asset;
c. how the asset will generate future economic benefits;
d. the availability of resources to complete the asset; and
e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3~5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, The Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Acquisitions of the shares of the Company (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasury shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on retirement of treasury shares should be offset against existing capital surplus form similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The Company's revenues arising from contracts with customers are mainly rendering of processing services and rental of testing machinery. The accounting policies are explained as follows:

A. Rendering of services

The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company's performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volume discount), recognizes service revenues over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenue from rental of machinery

The Company provides rental of testing machineries based on customers' demand. According to the contract, the Company provides tailored machineries to customers for testing purposes for a certain period of time. During the contract period, those machineries are for the contracted customers' use only, and will not be mixed with other testing machineries. Meanwhile, during the contract period, those machineries are still under control of the Company, the customer does not have the right to control over or to direct the right of use of the rented machineries. Usually, the unit rental price is fixed and is stated in the contract. Accordingly, the Company's performance obligations is satisfied over time and the Company recognizes revenues from rental of the machinery by rental hours or testing volume multiplied by the fixed unit price, or over the rental period on a straight line basis.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, the Company recognizes trade receivables upon the completion of rental period. These trade receivables usually have short period and no significant financial component is arisen.

For some machinery rental contracts, prepayments are received from customers upon signing the contract, the Company then has the obligation to provide the services subsequently. Accordingly, these amounts are recognized as contract liabilities.

C. Sales of machinery

The Company manufactures and sells professional testing machinery. Those machineries must be tested for specifications according to the contract signed by both parties before being delivered to customers. The Company performs the specification test in accordance with the contract and issues a machinery inspection report to the customer. After the customer's confirmation that the operating data and function of the machineries have met the specification stated in the inspection report, the machinery can be delivered to the customer's designated location stated in the contract and the control of the machinery can be transferred. At this time, the customer has the right to determine the sales channels and price of those testing machineries, and has the ability to prevent other companies from directing the use and obtaining the benefits of these products. Thus, the Company recognizes the revenue generated from the sales of machineries.

Considering the fact that assisting customers for the machinery installation and providing safety guidance are not significant, so the Company issues an invoice with total consideration to the customer and recognizes the amount as trade receivables upon the delivery of the machinery. In addition, the period between the sales of machinery and the actual receipt of the payment is within one year, therefore, there is no significant financial component. The Company provides its customer with a warranty for refund for defectives products. Such warranty is accounted for in accordance with IAS 17 as liability provision.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period when they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Post-employment benefits

All regular employees of KYEC are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence not associated with KYEC. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that KYEC recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholders' meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company’s consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Determination of the useful lives for plant, property and equipment

The Company's determination of useful lives is based on the expected utility and the experience on using similar property, plant and equipment in prior periods. Based on the Company's assets management policy, the Company may dispose certain assets after consuming the economic benefits of the assets to certain extent.

By considering the Company's previous experience as well as peer experience on using similar property, plant and equipment, on March 14, 2019, the Board of Directors approved to change the estimated useful lives of certain machinery equipment from 6 years to 8 years and certain second-handed machinery equipment from 3 years to 4 years effective from January 1, 2019. The change was aimed at reflecting more accurate useful lives, achieving more reasonable cost allocations, and providing more reliable and relevant information. The change of the accounting estimate decreased the depreciation expense by NT$995,843 thousands for the year ended December 31, 2019. For more information of depreciation, addition and disposal of property, plant and equipment, please refer to Note 6.

B. Recognition of right-of-use assets and lease liabilities

The Company considers the lease period of the leased assets and the lessee's incremental borrowing interest rate to determine the right-of-use assets and lease liabilities.

To determine the lease period, the Company considers all relevant facts and circumstances that may produce economic incentives to exercise or not to exercise the option to terminate the lease, including expected changes in all facts and conditions from the commencement date of the lease to the exercise date of the option. The main factors to consider include the contract terms and conditions for the period covered by the option and the materiality of the underlying asset to the lessee's operations. When changes of major events or circumstances that are within the control of the Company occur, the lease period is re-evaluated.

In determining a lessee's incremental borrowing rate used in discounting lease payments, the Company mainly takes into account the market risk-free rates, the estimated lessee's spread and secured status in a similar economic environment.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

C. Fair value of Level 3 financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6.(12) for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$814	$713
Checking and savings accounts	6,761,722	6,062,897
Time deposits	1,245,994	102,395
Total	$8,008,530	$6,166,005

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

	December 31, 2020	December 31, 2019
Equity instrument investments measured at fair value through other comprehensive income- current		
Listed company's stocks	$-	$30,114

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	December 31, 2020	December 31, 2019
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	$28,117	$25,009
Unlisted company's stocks	4,418,446	2,400,157
Subtotal	4,446,563	2,425,166
Total	$4,446,563	$2,455,280

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended of 2020 and 2019 are as follows:

	For the years ended December 31	
	2020	2019
Related to investments derecognized during the period	$783	$-
Related to investments held at the end of the reporting period	50,183	38,398
Dividends recognized during the period	$50,966	$38,398

In consideration of disposition or liquidation of certain investments according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
The fair value of the investments at the date of derecognition	$65,027	$-
The cumulative gain on disposal	38,462	-

The Company received capital returns in the amount of NT$0 thousand and NT$395 thousand, respectively, from its equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Financial assets at fair value through other comprehensive income were not pledged.

(3) Notes receivable

	December 31, 2020	December 31, 2019
Notes receivables from operating activities	$3,049	$4,268
Less: loss allowance	-	-
Total	$3,049	$4,268

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6 (17) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) Trade receivables and trade receivables from related parties

	December 31, 2020	December 31, 2019
Trade receivables	$4,190,171	$4,983,364
Less: loss allowance	(25,180)	(47,083)
Subtotal	4,164,991	4,936,281
Trade receivables from related parties	1,724,951	911,027
Less: loss allowance	-	-
Subtotal	1,724,951	911,027
Total	$5,889,942	$5,847,308

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. Please refer to Note 6 (17) for more details on loss allowance of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(5) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$719,695	$789,707
Work in progress	200,562	223,213
Finished goods	60,712	68,115
Total	$980,969	$1,081,035

The cost of inventories recognized in operating costs for the years ended December 31, 2020 and 2019 amounted to NT$21,005,316 thousand and NT$18,523,521 thousand, respectively, including the write-down of inventories of NT$40,342 thousand and NT$15,729 thousand, and scrap loss of NT$3,931 thousand and NT$3,510 thousand, respectively.

No inventories were pledged.

(6) Prepayments

	December 31, 2020	December 31, 2019
Prepaid equipment	$336,191	$125,545
Prepaid expenses	91,026	72,472
Input tax	41,895	51,152
Others	10,171	23,438
Total	$479,283	$272,607

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(7) Investments accounted for using the equity method

	December 31, 2020		December 31, 2019	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Fixwell Technology Corp.	$46,981	23.33%	$45,305	23.33%
Wei Jiu Industrial Co., Ltd.	22,875	34.00%	19,923	34.00%
Total	$69,856		$65,228	

The Company's investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The summarized financial information of the Company's ownership in those associates is as follows:

	For the years ended December 31	
	2020	2019
Net income	$16,088	$14,336
Other comprehensive income, net of tax	-	-
Total comprehensive income	$16,088	$14,336

The investments mentioned above were not pledged.

(8) Property, plant and equipment

	December 31, 2020	December 31, 2019
Owner occupied property, plant and equipment	$38,960,077	$36,779,355
Property, plant and equipment leased out under operating leases	187,498	111,532
Total	$39,147,575	$36,890,887

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Owner occupied property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Cost:										
As of January 1, 2020	$1,143,394	$4,682,938	$8,697,635	$86,063,081	$694,066	$53,957	$5,339,081	$4,425	$1,532,268	$108,210,845
Additions	2,880	37,596	646,772	6,246,740	71,529	2,485	403,643	-	3,170,651	10,582,296
Disposals	-	-	(82,939)	(2,428,569)	(1,258)	-	(56,125)	-	(9,697)	(2,578,588)
Transfers	-	(32,986)	-	2,776,823	1,169	-	55,765	-	(2,689,031)	111,740
Exchange differences	-	15,847	9,433	134,589	695	80	21,256	-	5,101	187,001
As of December 31, 2020	$1,146,274	$4,703,395	$9,270,901	$92,792,664	$766,201	$56,522	$5,763,620	$4,425	$2,009,292	$116,513,294
As of January 1, 2019	$1,143,394	$4,700,454	$8,275,234	$78,622,911	$711,410	$48,856	$5,114,784	$4,425	$677,083	$99,298,551
Additions	-	-	494,405	7,678,238	27,647	6,081	348,564	-	3,224,561	11,779,496
Disposals	-	-	(55,145)	(2,702,344)	(43,440)	(775)	(127,585)	-	-	(2,929,289)
Transfers	-	20,304	-	2,706,187	1,254	-	55,741	-	(2,361,721)	421,765
Exchange differences	-	(37,820)	(16,859)	(241,911)	(2,805)	(205)	(52,423)	-	(7,655)	(359,678)
As of December 31, 2019	$1,143,394	$4,682,938	$8,697,635	$86,063,081	$694,066	$53,957	$5,339,081	$4,425	$1,532,268	$108,210,845

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Land	Buildings and facilities	Plant equipment	Machinery and equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Accumulated depreciations and impairment:										
As of January 1, 2020	$-	$1,834,937	$5,931,834	$59,219,514	$593,520	$37,065	$3,812,555	$2,065	$-	$71,431,490
Depreciation	-	165,837	507,379	7,100,725	35,964	6,403	380,139	442	-	8,196,889
Disposals	-	-	(82,939)	(2,324,940)	(1,249)	-	(54,715)	-	-	(2,463,843)
Transfers	-	(21,577)	-	134,518	-	-	-	-	-	112,941
Impairment	-	-	-	153,955	-	-	-	-	-	153,955
Exchange differences	-	8,410	5,750	92,131	546	72	14,876	-	-	121,785
As of December 31, 2020	$-	$1,987,607	$6,362,024	$64,375,903	$628,781	$43,540	$4,152,855	$2,507	$-	$77,553,217
As of January 1, 2019	$-	$1,642,145	$5,484,142	$56,133,580	$589,492	$32,255	$3,616,172	$1,623	$-	$67,499,409
Depreciation	-	167,396	514,435	5,833,242	45,693	5,760	365,704	442	-	6,932,672
Disposals	-	-	(55,145)	(2,622,329)	(39,177)	(775)	(123,383)	-	-	(2,840,809)
Transfers	-	43,196	-	4,858	(206)	-	(12,008)	-	-	35,840
Impairment	-	-	-	55,267	-	-	-	-	-	55,267
Exchange differences	-	(17,800)	(11,598)	(185,104)	(2,282)	(175)	(33,930)	-	-	(250,889)
As of December 31, 2019	$-	$1,834,937	$5,931,834	$59,219,514	$593,520	$37,065	$3,812,555	$2,065	$-	$71,431,490
Net carrying amount as at:										
December 31, 2020	$1,146,274	$2,715,788	$2,908,877	$28,416,761	$137,420	$12,982	$1,610,765	$1,918	$2,009,292	$38,960,077
December 31, 2019	$1,143,394	$2,848,001	$2,765,801	$26,843,567	$100,546	$16,892	$1,526,526	$2,360	$1,532,268	$36,779,355

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Property, plant and equipment leased out under operating leases

	Buildings and facilities	Machinery and equipment	Total
Cost:			
As at January 1, 2020	$146,480	$220,026	$366,506
Additions	-	12,537	12,537
Disposals	-	-	-
Transfers	32,986	20,540	53,526
Exchange differences	143	-	143
As at December 31, 2020	$179,609	$253,103	$432,712
As at January 1, 2019	$189,678	$196,421	$386,099
Additions	-	1,167	1,167
Disposals	-	-	-
Transfers	(40,028)	22,438	(17,590)
Exchange differences	(3,170)	-	(3,170)
As at December 31, 2019	$146,480	$220,026	$366,506
Accumulated depreciation and impairment:			
As at January 1, 2020	$83,760	$171,214	$254,974
Depreciation	4,949	25,831	30,780
Disposals	-	-	-
Transfers	21,577	(62,209)	(40,632)
Exchange differences	92	-	92
As at December 31, 2020	$110,378	$134,836	$245,214
As at January 1, 2019	$104,911	$173,034	$277,945
Depreciation	4,813	9,814	14,627
Disposals	-	-	-
Transfers	(24,206)	(11,634)	(35,840)
Exchange differences	(1,758)	-	(1,758)
As at December 31, 2019	$83,760	$171,214	$254,974
Net carrying amounts as at:			
December 31, 2020	$69,231	$118,267	$187,498
December 31, 2019	$62,720	$48,812	$111,532

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

C. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2020	2019
Construction in progress	$49,810	$92,113
Capitalization rate of borrowing costs	0.95~ 5.23%	1.71~ 5.23%

D. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2020	2019
Acquisition of property, plant and equipment	$10,594,833	$11,780,663
Net decrease (increase) in payables to equipment suppliers	340,188	(162,788)
Net decrease in other payables - related parties	-	3,720
Total	$10,935,021	$11,621,595

	For the years ended December 31,	
	2020	2019
Disposal of property, plant and equipment	$99,221	$96,818
Net decrease (increase) in other receivables	(2,783)	24,600
Net decrease (increase) in other receivables - related parties	(6,521)	117
Total	$89,917	$121,535

E. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buildings located in Miaoli County for operational use. The total purchase price was NT $ 850 million (including tax). As of December 31, 2020, the Company has paid off the total consideration and recognized the payment in the construction in progress. According to the purchase agreement, ownership transfer registration shall be completed within four months after obtaining the use license.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

In order to meet the needs of future operation and development, the Company decided to acquire the additional floors of the abovementioned buildings for production efficiency improvement. The expected purchase price was NT $350 million (including tax). As of December 31, 2020, the purchase agreement has not been signed.

F. As of December 31, 2020 and 2019, the Company recognized an impairment loss of NT$153,955 thousand and NT$55,267 thousand, respectively, for certain machinery and equipment which were either damaged or idle and could no longer be used.

G. Please refer to Note 8 for property, plant and equipment ledged as collateral.

(9) Intangible assets

	Software	Goodwill	Total
Cost:			
As of January 1, 2020	$326,722	$35,914	$362,636
Additions from acquisitions	64,763	-	64,763
Disposals	(72,287)	-	(72,287)
Transfers	-	-	-
Exchange differences	892	-	892
As of December 31, 2020	$320,090	$35,914	$356,004
As of January 1, 2019	$332,598	$35,914	$368,512
Additions from acquisitions	26,418	-	26,418
Disposals	(30,077)	-	(30,077)
Transfers	-	-	-
Exchange differences	(2,217)	-	(2,217)
As of December 31, 2019	$326,722	$35,914	$362,636

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Software	Goodwill	Total
Amortization and impairment:			
As of January 1, 2020	$252,927	$35,914	$288,841
Amortization	52,193	-	52,193
Disposals	(72,287)	-	(72,287)
Impairment loss	-	-	-
Exchange differences	815	-	815
As of December 31, 2020	$233,648	$35,914	$269,562
As of January 1, 2019	$197,450	$-	$197,450
Amortization	87,531	-	87,531
Disposals	(30,077)	-	(30,077)
Impairment loss	-	35,914	35,914
Exchange differences	(1,977)	-	(1,977)
As of December 31, 2019	$252,927	$35,914	$288,841
Net carrying amount as of:			
December 31, 2020	$86,442	$-	$86,442
December 31, 2019	$73,795	$-	$73,795

Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2020	2019
Operating costs	$28,937	$66,404
Selling and administrative expenses	18,403	14,543
Research and development expenses	4,853	6,584
Total	$52,193	$87,531

Please refer to Note 6(10) for goodwill impairment testing.

(10) Goodwill impairment testing

The Company acquired Dawning Leading Technology Inc. in November 2018, and recognized goodwill of NT$35,914 thousand, which is subject to impairment testing annually. After the acquisition of Dawning Leading Technology Inc., an assembly center was established, and goodwill was allocated to this center (a separate cash-generating unit).

Cash-generating unit of assembly center

As the acquisition date of Dawning Leading Technology Inc. was in November 2018, there is no impairment of goodwill in 2018. However, in 2019, the assembly center suffered an operating loss due mainly to severe competition and the delay in the introduction of new products. The recoverable amount of the assembly center has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections was 13.60% in 2019. As a result, management recognized an impairment loss of NT$35,914 thousand on goodwill in 2019.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for assembly center is most sensitive to the following assumptions:

(a) revenue growth rate applied to cash flow projections.
(b) discount rates.

Revenue growth rates –Revenue growth rate is estimated based on market supply and demand and product implementation progress during the budget period.

Discount rates – discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Company’s investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Company has obligation to settle.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(11) Short-term loans

	Interest Rates (%)	December 31, 2020	December 31, 2019
Unsecured bank loans	3.85~3.92%	$100,854	$493,383

The Company's unused short-term lines of credits amounted to NT$6,395,233 thousand and NT$4,200,151 thousand as at December 31, 2020 and 2019, respectively.

(12) Other current liabilities

	December 31, 2020	December 31, 2019
Refund liabilities	$194,956	$39,080
Receipts on behalf of others	380,540	260,627
Others	5,360	4,216
Total	$580,856	$303,923

(13) Long-term borrowings

As of December 31, 2020

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Shanghai Commerical Bank	Unsecured bank loans	2023.03.19	$911,360	Revolving Credit
Shanghai Commerical Bank	Unsecured bank loans	2022.03.27	375,105	Revolving Credit
Taishin Bank	Unsecured bank loans	2023.02.07	1,300,000	Revolving Credit
Mega Bank	Unsecured bank loans	2022.09.18	313,280	Revolving Credit
Land Bank	Unsecured bank loans	2022.03.03	170,880	Revolving Credit
First Commercial Bank	Unsecured bank loans	2022.07.20	12,463	Revolving Credit
MUFG Bank	Unsecured bank loans	2022.12.04	56,960	Revolving Credit
Bank of China	Unsecured bank loans	2022.10.14	712,000	Revolving Credit

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Taiwan Business Bank	Unsecured bank loans	2022.03.11	541,120	Revolving Credit
Cathay United Bank	Unsecured bank loans	2022.12.25	227,840	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2022.10.27	703,485	Revolving Credit
Shin Kong Commerical Bank	Unsecured bank loans	2022.12.11	284,800	Revolving Credit
Mizuho Bank	Unsecured bank loans	2023.01.01	500,000	Revolving Credit
KGI Bank	Unsecured bank loans	2024.07.15	400,000	The principal will be repaid in 5 semi-annual payments starting from July 15, 2022.
O Bank	Unsecured bank loans	2025.02.07	300,000	The principal will be repaid in 7 semi-annual payments starting from February 7, 2022.
Mega Bank	Unsecured bank loans	2025.02.07	680,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Chang Hwa Commercial Bank	Unsecured bank loans	2025.01.20	695,000	The principal will be repaid in 5 semi-annual payments starting from January 20, 2023.
Fubon Bank	Unsecured bank loans	2023.02.07	800,000	50% of principal will be repaid on August 7, 2022. The remaining principal will be repaid on maturity day.
Bank of Taiwan	Unsecured bank loans	2024.01.20	1,200,000	50% of principal will be repaid on July 20, 2022. The remaining principal will be repaid on maturity day.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
First Commercial Bank	Unsecured bank loans	2025.01.20	895,497	The principal will be repaid in 5 semi-annual payments starting from July 20, 2022.
Far Eastern Bank	Unsecured bank loans	2023.02.07	1,100,000	Repay at maturity
CTBC Bank	Unsecured bank loans	2024.02.07	300,000	50% of principal will be repaid on August 7, 2023. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 13 others	Commercial paper loans	2025.10.11	200,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Bank of Taiwan and 6 others (King Long)	Secured bank loans	2024.02.01	1,799,746	Repayable in 6 semi-annual instalments from August 01, 2021.
Bank of Taiwan and 8 others (King Long)	Secured bank loans	2025.01.05	310,912	Repayable in 6 semi-annual instalments from July 05, 2022.
Shanghai Commerical Bank (King Long)	Unsecured bank loans	2022.05.23	213,657	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	2022.05.29	213,657	Repayable in 4 semi-annual instalments from December 5, 2020.
Bank of Taiwan (King Long)	Unsecured bank loans	2022.07.17	427,314	Repayable in 7 quarterly instalments from January 17, 2021.
Shin Kong Commerical Bank (King Long)	Unsecured bank loans	2022.07.17	284,876	Repayable in 3 semi-annual instalments from July 17, 2021.
Yuanta Commercial Bank (King Long)	Unsecured bank loans	2022.08.12	284,876	Repayable in 6 quarterly instalments from May 30, 2021.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
O Bank (King Long)	Unsecured bank loans	2022.10.10	94,959	Repayable in 6 semi-annual instalments from April 29, 2020.
E. Sun Bank (King Long)	Unsecured bank loans	2022.10.11	284,876	Repayable in 4 semi-annual instalments from April 30, 2021.
Fubon Bank (King Long)	Unsecured bank loans	2022.11.27	85,463	After paying US$160 thousand on May 28, 2021, repayable in 6 quarterly instalments.
Taiwan Cooperative Commercial Bank (King Long)	Unsecured bank loans	2022.12.16	284,876	Repayable in 7 quarterly instalments from June 16, 2021.
HSBC Bank (King Long)	Unsecured bank loans	2022.12.17	341,851	Repayable in 5 semi-annual instalments from December 31, 2020.
Chang Hwa Commercial Bank (King Long)	Unsecured bank loans	2023.04.23	427,314	Repay at maturity
CTBC Bank (King Long)	Unsecured bank loans	2023.05.08	142,438	Execpt for the last payment of US$2,750 thousand, repayable in 4 semi-annual instalments of US$750 thousand from November 8, 2021.
HSBC Taiwan Bank (Zhengkuan)	Unsecured bank loans	2021.04.09	28,488	Repayable in 5 semi-annual instalments, except for the last payment which is due in 5 months from April 27, 2019.
KGI Bank (Zhengkuan)	Unsecured bank loans	2021.11.08	136,741	Repayable in 5 semi-annual instalments, except for the last payment which is due in 3 months from January 26, 2020.
Shanghai Commerical Bank (Zhengkuan)	Unsecured bank loans	2022.11.07	142,438	Repayable in 4 semi-annual instalments from May 7, 2021.
Subtotal			23,864,272	
Less: current portion			(1,844,759)	
Less: arangement fee			(42,717)	
Less: unamortized discount			(10,767)	
Total			$21,966,029	
Interest Rates			0.50%~4.65%	

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As of December 31, 2019

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Citi Bank	Unsecured bank loans	2021.11.30	$215,250	Revolving Credit
SinoPac Bank	Unsecured bank loans	2021.05.22	539,640	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	2021.10.14	1,138,600	Revolving Credit
Cathay United Bank	Unsecured bank loans	2021.12.23	269,820	Revolving Credit
Bank of china	Unsecured bank loans	2021.10.14	749,500	Revolving Credit
Mizuho Bank	Unsecured bank loans	2021.01.01	1,230,000	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	2021.05.10	299,800	Revolving Credit
E. Sun Bank	Unsecured bank loans	2021.09.10	239,840	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	2021.01.03	449,700	Revolving Credit
Mega Bank	Unsecured bank loans	2021.09.18	749,500	Revolving Credit
Land Bank	Unsecured bank loans	2021.03.28	269,820	Revolving Credit
Mega Bank	Unsecured bank loans	2021.02.12	319,500	Repay at maturity
Land Bank	Unsecured bank loans	2021.02.12	126,000	Repay at maturity
Fubon Bank	Unsecured bank loans	2021.02.09	175,500	Repay at maturity
Bank of Taiwan	Unsecured bank loans	2021.02.12	479,497	Repay at maturity
Land Bank and 13 others	Secured bank loans	2021.03.10	3,750,000	25% of principal will be repaid on September 10, 2019. The remaining principal will be repaid on maturity day.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
Mega Bank and 17 others	Commercial Paper	2023.12.06	5,680,000	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 17 others	Secured bank loans	2023.12.06	300,000	25% of principal will be repaid on February 13, 2023. The remaining principal will be repaid on maturity day.
Bank of Taiwan and 6 others (King Long)	Secured bank loans	2024.02.01	1,262,196	Repayable in 6 semi-annual instalments from August 01, 2021.
Shanghai Commercial Bank (King Long)	Unsecured bank loans	2022.05.23	299,707	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	2022.05.29	299,707	Repayable in 4 semi-annual instalments from December 5, 2020.
Bank of Taiwan (King Long)	Unsecured bank loans	2022.07.17	449,560	Repayable in 7 quarterly instalments from January 17, 2021.
Shin Kong Commercial Bank (King Long)	Unsecured bank loans	2022.07.17	299,707	Repayable in 3 semi-annual instalments from July 17, 2021.
Yuanta Commercial Bank (King Long)	Unsecured bank loans	2022.08.12	29,971	Repayable in 6 quarterly instalments from May 30, 2021.
O Bank (King Long)	Unsecured bank loans	2022.10.10	149,853	Repayable in 6 semi-annual instalments from April 29, 2020.
E. Sun Bank (King Long)	Unsecured bank loans	2022.10.11	59,941	Repayable in 4 semi-annual instalments from April 30, 2021.
Fubon Bank (King Long)	Unsecured bank loans	2022.11.27	29,971	After paying US$160 thousand on May 28, 2021, repayable in 6 quarterly instalments.
Taiwan Cooperative Bank (King Long)	Unsecured bank loans	2022.12.16	59,941	Repayable in 7 quarterly instalments from June 16, 2021.
O Bank (Zhengkuan)	Unsecured bank loans	2020.03.27	29,971	After paying US$1 million on April 07, 2018, repayable in 4 semi-annual instalments, except for the last payment which is due in 5 months.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Maturity Date	Balance	Terms of repayment
HSBC Bank (Zhengkuan)	Unsecured bank loans	2021.04.09	89,912	Repayable in 5 semi-annual instalments, except for the last payment which is due in 5 months from April 27, 2019.
KGI Bank (Zhengkuan)	Unsecured bank loans	2021.11.08	239,766	Repayable in 5 semi-annual instalments, except for the last payment which is due in 3 months from January 26, 2020.
Shanghai Commercial Bank (Zhengkuan)	Unsecured bank loans	2022.11.08	89,912	Repayable in 5 semi-annual instalments from November 8, 2020.
Subtotal			20,372,082	
Less: current portion			(403,605)	
Less: arrangement fee			(37,035)	
Less: unamortized discount			(7,002)	
Total			$19,924,440	
Interest Rates			0.83%~5.23%	

a. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.
b. Please refer to Note 9 for the financial covenants during the loan period.

(14) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee’s salaries or wages to employee’s pension accounts.

Subsidiaries located in the People’s Republic of China will contribute social welfare benefits based on a certain percentage of employee’s salaries or wages to the employee’s individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$247,250 thousand and NT$288,659 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statements shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$17,500 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

The maturities of the defined benefits plan as at December 31, 2020 and 2019 are both in 2025.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

	For the years ended December 31,	
	2020	2019
Current period service costs	$5,655	$5,991
Interest income or expense	4,226	4,527
Overestimate (underestimate)	(4)	21
Total	$9,877	$10,539

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2020	2019
Defined benefit obligation at January 1,	$849,561	$802,898
Plan assets at fair value	(283,105)	(274,729)
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	$566,456	$528,169

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2019	$752,629	$(271,059)	$481,570
Current period service costs	5,991	-	5,991
Net interest expense (income)	7,074	(2,547)	4,527
Subtotal	765,694	(273,606)	492,088
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	55,146	-	55,146
Actuarial gains and losses arising from changes in financial assumptions	(38,952)	-	(38,952)

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Experience adjustments	51,181	-	51,181
Return on plan assets	-	(9,850)	(9,850)
Subtotal	67,375	(9,850)	57,525
Payments from the plan	(30,171)	30,171	-
Contributions by employer	-	(21,444)	(21,444)
As at December 31, 2019	$802,898	$(274,729)	$528,169
Current period service costs	5,655	-	5,655
Net interest expense (income)	6,424	(2,198)	4,226
Subtotal	814,977	(276,927)	538,050
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	56,665	-	56,665
Experience adjustments	(1,354)	-	(1,354)
Return on plan assets	-	(9,405)	(9,405)
Subtotal	55,311	(9,405)	45,906
Payments from the plan	(20,727)	20,727	-
Contributions by employer	-	(17,500)	(17,500)
As at December 31, 2020	$849,561	$(283,105)	$566,456

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2020	December 31, 2019
Discount rate	0.40%	0.80%
Expected rate of salary increases	1.50%	1.50%

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A sensitivity analysis for significant assumptions as at December 31, 2020 and 2019 is shown as below:

	Effect on the defined benefit obligation			
	2020		2019	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	$-	$(70,049)	$-	$(45,058)
Discount rate decrease by 0.5%	77,657	-	76,608	-
Future salary increase by 0.5%	76,376	-	75,659	-
Future salary decrease by 0.5%	-	(69,659)	-	(45,031)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(15) Equity

A. Share capital

As of December 31, 2020 and 2019, KYEC's authorized share capital was both NT$15,000,000 thousand; issued share capital was both NT$12,227,451 thousand (1,222,745 thousand shares), with par value of NT$10 per share. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2020	December 31, 2019
Additional paid-in capital	$578,468	$823,017
Arising from conversion of bonds	3,588,848	3,588,848
Treasury share transactions	390,101	390,101
Arising from the exercise of employee restricted shares	30,755	30,755
Total	$4,588,172	$4,832,721

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to KYEC's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

a. reserve for tax payments;
b. offset prior year's losses;
c. set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. set aside or reverse special reserve in accordance with law and regulations; and
e. the distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2020 and 2019, special reserve set aside for the first-time adoption of TIFRS amounted to NT$201,416 thousand.

The appropriations for earnings for 2019 were resolved by the shareholders in its meeting on June 10, 2020 while the proposed appropriations of earnings for 2020 were approved by Board of Directors on March 12, 2021. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2020	2019	2020	2019
Legal reserve	$362,921	$297,659		
Special reserve	(200,990)	(400,766)		
Cash dividends-common stock	2,200,941	1,956,392	$1.80	$1.60
Total	$2,362,872	$1,853,285		

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

On March 12, 2021 and June 10, 2020, the Board of Directors and the shareholders' meeting resolved to debit capital surplus by NT$244,549 thousand and NT$244,549 thousand, respectively, and distribute the same amounts of cash to shareholders.

Please refer to Note 6(19) for information regarding the employees' compensations (bonuses) and remunerations to directors.

D. Non-controlling interests

	For the years ended December 31,	
	2020	2019
Beginning balance	$6,515	$42,741
Net gain (loss) attributable to non-controlling interests	487	(82)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	3	(52)
Increase (decrease) attributable to non-controlling interests	-	(36,092)
Ending balance	$7,005	$6,515

(16) Operating revenues

	For the years ended December 31,	
	2020	2019
Assembly and testing processing revenues	$25,066,252	$23,778,126
Revenues from rental of machinery	2,075,224	1,148,449
Rental income from property	26,010	24,288
Other operating revenues	1,791,818	588,574
Total revenues	$28,959,304	$25,539,437

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Relevant information of revenues from contracts with customers for the years ended December 31, 2020 and 2019 are as follows:

A. Disaggregation of revenues

		For the years ended December 31,	
Nature of revenues	Timing of revenue recognition	2020	2019
Rendering of services	Over time	$25,066,252	$23,778,126
Revenues from rental of machinery	Over time	2,075,224	1,148,449
Rental income from property	On a straight-line basis or on a systematic basis (Note)	26,010	24,288
Other operating revenues	At a point in time	1,791,818	588,574
Total		$28,959,304	$25,539,437

Note: Please refer to Note 6(18) for information regarding leases.

B. Contract balances

(a) Contract assets – current

Nature of revenues	December 31, 2020	December 31, 2019	January 1, 2019
Rendering of services	$202,972	$126,182	$289,427

Please refer to Note 6(17) for more details on effect of impairment. Relevant information of revenues from contracts with customers for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31,	
	2020	2019
The opening balance transferred to trade receivables	$126,182	$288,359
Degree of completion measurement	$202,972	$125,114

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(b)Contract liabilities - current

Nature of revenues	December 31, 2020	December 31, 2019	January 1, 2019
Revenues from rental of machinery	$11,591	$52,486	$84,834
Assembly and testing processing revenues	70,512	14,428	44,240
Other operating revenues	147,500	1,416	1,129
Total	$229,603	$68,330	$130,203

The difference of the beginning and ending balances is the net effect of the various revenue contracts signed before the opening date and the assumption of the new performance obligations for new contracts signed as of the ending date.

(17) Expected credit losses

Operating expenses - expected credit losses (gains)

	For the years ended December 31,	
	2020	2019
Contract assets	$-	$-
Notes receivable	-	-
Trade receivables	3,180	20,609
Total	$3,180	$20,609

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including notes receivable and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2020 and 2019 are as follows:

A. The gross carrying amount of contract assets is NT$202,972 thousand and NT$126,182 thousand, respectively. Expected credit loss ratio is estimated to be 0%.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

As at December 31, 2020

	Not yet due	Overdue				
Group 1	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$5,694,839	$189,765	$10,986	$1,115	$365	$5,897,070
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(3,929)	-	(110)	(22)	(18)	(4,079)
Subtotal	5,690,910	189,765	10,876	1,093	347	5,892,991

	Not yet due	Overdue				
Group 2	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$571	$-	$-	$45	$20,485	$21,101
Loss ratio	100%	-%	-%	100%	100%	
Lifetime expected credit losses	(571)	-	-	(45)	(20,485)	(21,101)
Subtotal	-	-	-	-	-	-
Total						$5,892,991

As at December 31, 2019

	Not yet due	Overdue				
Group 1	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$5,574,530	$266,482	$14,275	$18,228	$2,385	$5,875,900
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(23,697)	-	(143)	(365)	(119)	(24,324)
Subtotal	5,550,833	266,482	14,132	17,863	2,266	5,851,576

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Not yet due	Overdue				
Group 2	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$233	$-	$186	$8,803	$13,537	$22,759
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(233)	-	(186)	(8,803)	(13,537)	(22,759)
Subtotal	-	-	-	-	-	-
Total						$5,851,576

Note: The Company's notes receivable are not overdue.

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2020 and 2019 is as follows:

	Contract assets	Notes receivable	Trade receivables	Other receivables
Beginning balance at January 1, 2020	$-	$-	$47,083	$-
Addition for the current period	-	-	3,180	-
Write off (Note)	-	-	(1,941)	-
Transfer	-	-	(23,149)	23,149
Effect of changes in exchange rate	-	-	7	-
Ending balance as at December 31, 2020	$-	$-	$25,180	$23,149
Beginning balance at January 1, 2019	$-	$-	$27,794	$-
Addition for the current period	-	-	20,609	-
Write off (Note)	-	-	(1,299)	-
Effect of changes in exchange rate	-	-	(21)	-
Ending balance as at December 31, 2019	$-	$-	$47,083	$-

Note: Although the Company wrote off the financial assets during 2020 and 2019, collection activities are still underway.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(18) Leases

A. The Company as a lessee

The Company leases land and buildings with lease terms ranging from 6 to 58 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with lease terms ranging from 1 to 2 years. The Company has purchase options to acquire leasehold machinery and lease equipment at the end of the lease terms.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2020	December 31, 2019
Land	$576,345	$553,922
Buildings	37,257	45,314
Machinery and equipment	714,630	774,671
Total	$1,328,232	$1,373,907

During the years ended December 31, 2020 and 2019, the Company's additions to right-of-use assets amounted to NT$89,750 thousand and NT$774,671 thousand, respectively.

During the year ended December 31, 2020, the Company exercised the purchase option and transfered the right-of-use assets to machinery and equipment amounting to NT$32,681 thousand. No such transaction occurred in 2019.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(b) Lease liabilities

	December 31, 2020	December 31, 2019
Lease liabilities- current	$310,144	$792,980
Lease liabilities- non-current	566,437	485,263
Total	$876,581	$1,278,243

Please refer to Note 6 (20)C for the interest on lease liabilities recognized during the years ended December 31, 2020 and 2019, and refer to Note 12 (3) section E Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2020 and 2019.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Land	$20,867	$19,354
Buildings	5,184	5,266
Machinery and equipment	102,055	-
Total	$128,106	$24,620

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2020	2019
The expenses relating to short-term leases	$67,682	$54,176
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	3,752	3,300
Total	$71,434	$57,476

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

d. Cash outflows relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company's total cash outflows for leases amounted to NT$601,739 thousand and NT$85,499 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. The Company as a lessor

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	For the years ended December 31,	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$26,010	$24,288

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Please refer to Note 6 (8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Not later than one year	$17,025	$7,915
Later than one year and not later than five years	601	187
Total	$17,626	$8,102

(19) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2020 and 2019:

	For the years ended December 31,					
	2020			2019		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$4,721,179	$1,307,172	$6,028,351	$4,352,574	$1,159,150	$5,511,724
Labor and health insurance	403,209	78,411	481,620	380,837	75,846	456,683
Pension	195,103	62,024	257,127	232,212	66,986	299,198
Remuneration of directors	-	38,212	38,212	-	33,391	33,391
Other employee benefits expense	331,506	49,079	380,585	236,951	41,006	277,957
Total	$5,650,997	$1,534,898	$7,185,895	$5,202,574	$1,376,379	$6,578,953
Depreciation	$7,657,092	$698,683	$8,355,775	$6,389,127	$582,792	$6,971,919
Amortization	$28,937	$23,256	$52,193	$66,404	$21,127	$87,531

In accordance with the Articles of Incorporation, no higher than 1% of the profit of the current year is distributable as remuneration to directors (including independent directors). However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. In addition, according to the Company's Articles of Incorporation, the remuneration paid to directors (including independent directors) is determined based on the Company's overall operating performance with consideration of the contribution of each director to the Company and reference to industry norm. The remuneration proposal shall be approved by more than half members of the Compensation Committee and submitted to the Board of Directors for further approval.

According to the Company's Articles of Incorporation and the Company Law, the remuneration of the Company's executives is determined based on the positions of the executives, contribution to the Company's operations, individual performance, and consideration of the Company's future risk and reference to the industry norm. The remuneration is to be reviewed by the Compensation Committee for its plausibility and submitted to the Board of Directors for resolution.

The employee's compensation policy of the Company takes into account various factors such as individual's salary, rank, and performance evaluation, the industry norm and the Company's operating results, etc.

In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Based on profit of current period, KYEC estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be 8% of profit of current period (or NT$382,118 thousand) and 0.8% of profit of current period (or NT$38,212 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 12, 2021 to distribute NT$382,118 thousand and NT$38,212 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2020.

Actual distribution of employees' compensation and remuneration to directors of 2019 amounted to NT$333,915 thousand and NT$33,391 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2019.

(20) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2020	2019
Dividend income	$50,966	$38,398
Government grant	76,551	57,469
Others	132,971	79,649
Total	$260,488	$175,516

B. Other gains and losses

	For the years ended December 31,	
	2020	2019
Gain (loss) on disposal of property, plant and equipment	$(15,524)	$8,338
Foreign exchange gains, net	242,514	59,506

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Gains on financial assets at fair value through profit or loss (Note)	-	424
Impairment losses – Property, plant and equipment	(153,955)	(55,267)
Impairment losses – Goodwill	-	(35,914)
Others	(96,963)	1,966
Total	$(23,928)	$(20,947)

Note: Balance in current year was arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance costs

	For the years ended December 31,	
	2020	2019
Interest expenses on borrowings from bank	$359,046	$301,836
Interest expenses on lease liabilities	19,993	9,837
Total	$379,039	$311,673

(21) Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(45,906)	$-	$(45,906)	$-	$(45,906)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	2,094,772	(38,462)	2,056,310	(403,570)	1,652,740

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	105,729	-	105,729	(21,145)	84,584
Total of other comprehensive income	$2,154,595	$(38,462)	$2,116,133	$(424,715)	$1,691,418

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(57,525)	$-	$(57,525)	$-	$(57,525)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	687,601	(395)	687,206	(136,555)	550,651
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(186,914)	-	(186,914)	37,373	(149,541)
Total of other comprehensive income	$443,162	$(395)	$(442,767)	$(99,182)	$343,585

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(22) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2020	2019
Current income tax expense:		
Current income tax charge	$899,168	$757,124
Adjustments in respect of current income tax of prior periods	(198,244)	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	205,591	116,255
Income tax expense recognized in profit or loss	$906,515	$873,379

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2020	2019
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$403,570	$136,555
Exchange differences resulting from translating the financial statements of foreign operations	21,145	(37,373)
Income tax relating to components of other comprehensive income	$424,715	$99,182

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	For the years ended December 31,	
	2020	2019
Accounting profit before tax from continuing operations	$4,543,655	$3,914,863
Tax at the domestic rates applicable to profits in the country concerned	$908,731	$782,973
Tax effect of expenses not deductible for tax purposes	(150,106)	(105,732)
Tax effect of deferred tax assets/liabilities	205,591	116,255
Different tax rates application between the parent company and subsidiaries	140,543	79,883
Adjustments in respect of current income tax of prior periods	(198,244)	-
Total income tax expense recognized in profit or loss	$906,515	$873,379

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$(5,624)	$(24,148)	$-	$-	$-	$(29,772)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	11,054	24,339	-	-	-	35,393
Depreciation difference for tax purpose	24,219	(984)	-	-	-	23,235
Unrealized sales discount	7,816	31,175	-	-	-	38,991
Investments accounted for using the equity method	29,151	(229,157)	-	-	-	(200,006)

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Exchange differences resulting from translating the financial statements of foreign operations	110,404	-	(21,145)	-	-	89,259
Unrealized investment gains and losses	(34,297)	(323)	(403,570)	-	-	(438,190)
Others	11,540	16,555	-	-	-	28,095
Unused tax losses	23,048	(23,048)	-	-	-	-
Deferred tax income/ (expense)		$(205,591)	$(424,715)	$-	$-	
Net deferred tax assets/(liabilities)	$189,961					$(440,345)
Reflected in balance sheet as follows:						
Deferred tax assets	$229,882					$227,623
Deferred tax liabilities	$39,921					$667,968

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$495	$(6,119)	$-	$-	$-	$(5,624)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	-	11,054	-	-	-	11,054
Depreciation difference for tax purpose	16,426	7,793	-	-	-	24,219
Unrealized sales discount	6,666	1,150	-	-	-	7,816
Investments accounted for using the equity method	158,590	(129,439)	-	-	-	29,151

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Exchange differences resulting from translating the financial statements of foreign operations	73,031	-	37,373	-	-	110,404
Unrealized investment gains and losses	104,007	(1,749)	(136,555)	-	-	(34,297)
Others	10,485	1,055	-	-	-	11,540
Unused tax losses	23,048	-	-	-	-	23,048
Deferred tax income/ (expense)		$(116,255)	$(99,182)	$-	$-	
Net deferred tax assets/(liabilities)	$405,398					$189,961
Reflected in balance sheet as follows:						
Deferred tax assets	$405,398					$229,882
Deferred tax liabilities	$-					$39,921

The following table contains information of the unused tax losses of the Company:

			Unused tax losses as at		
Entities	Year	Tax losses for the period	December 31, 2020	December 31, 2019	Expiration year
KYEC	2009	$372,867	$-	$115,242	2019
Foreign	2015	133,282	-	133,282	2020
Subsidiaries	2016	40,771	40,771	40,119	2021
	2017	32,461	32,461	31,941	2022
	2018	75,906	75,906	74,692	2023
			$149,138	$395,276	

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets that have not been recognized amounted to NT$37,285 thousand and NT$76,354 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

Entities	The assessment of income tax returns
KYEC	Assessed and approved up to 2018
Subsidiary:	
King Long Technology (Suzhou) Ltd.	Filed up to 2019
Suzhou Zhengkuan Technology Ltd.	Filed up to 2019
KYEC USA Corp.	Filed up to 2019
KYEC Japan K.K.	Filed up to 2019
KYEC SINGAPORE PTE. Ltd.	Filed up to 2019
King Ding Precision Incorporated Company	Filed up to 2019 but not yet approved

(23) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2020	2019
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,636,653	$3,041,566
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,745	1,222,745
Basic earnings per share (NT$)	$2.97	$2.49

	For the years ended December 31,	
	2020	2019
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,636,653	$3,041,566
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,745
Effect of dilution:		
Employee compensation－stock (in thousands)	13,079	10,499
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,235,824	1,233,244
Diluted earnings per share (NT$)	$2.94	$2.47

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

(24) Changes in the ownership interest of subsidiaries

Based on the need of long-term development and operation, the Company acquired 51.06% shares of King Ding in a cash consideration of NT$37,070 thousand in January 2019. The acquisition increased its ownership to 100%. This transaction has no impact on the control of the subsidiary. Changes in ownership are treated as equity transactions.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Other related parties (Note)	Subsidiary of MediaTek Inc.
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates

Note: The Company's transactions with these companies are not material.

B. Significant transactions with related parties

(a) Operating income

	For the years ended December 31,	
	2020	2019
MediaTek Inc.	$2,917,792	$1,967,302
Mediatek Singapore Pte. Ltd.	2,214,857	940,418
Other related parties	405,734	342,566
Associates	5,585	15,929
Total	$5,543,968	$3,266,215

The various trading price to related parties was determined through mutual agreement based on the market demands. The trade credit terms for related parties were 45 to 90 days, while the terms for non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(b) The Company purchased inventories from associates. For the years ended December 31, 2020 and 2019, the purchase amounts were NT$77,608 thousand and NT$51,369 thousand, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.

(c) The Company appointed an associate to perform machinery repairs. For the years ended December 31, 2020 and 2019, the operating costs recognized amounted to NT$300,855 thousand and NT$312,790 thousand, respectively.

(d) The Company paid rental expenses for renting machines from associates. For the years ended December 2020 and 2019, the rental expenses amounted to NT$6,605 thousand and NT$0 thousand, respectively. The rental price was based on the similar machine's rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.

(e) Significant property transactions with related parties:

i. Disposal of property, plant and equipment

	For the year ended December 31, 2020		For the year ended December 31, 2019	
Related party	Sales price	Disposal gain	Sales price	Disposal gain
Associates	$14,869	$5,678	$9,423	$5,028

The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

	For the year ended December 31, 2020	For the year ended December 31, 2019
Related party	Purchase price	Purchase price
Associates	$123,070	$106,826

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The purchase price was determined through mutual agreement based on the market demand.

(f) Contract assets

Contract assets - current

	December 31, 2020	December 31, 2019
Other related parties		
MediaTek Inc.	$-	$1,293
Mediatek Singapore Pte. Ltd.	-	500
Total	-	1,793
Less: loss allowance	-	-
Net	$-	$1,793

(g) Trade receivables from related parties

	December 31, 2020	December 31, 2019
MediaTek Inc.	$1,086,058	$478,587
Mediatek Singapore Pte. Ltd.	535,143	320,837
Other related parties	103,289	111,400
Associates	461	203
Less: loss allowance	-	-
Net	$1,724,951	$911,027

(h) Other receivables from related parties

	December 31, 2020	December 31, 2019
MediaTek Inc.	$25,708	$6,235
Fixwell Technology Corp.	6,951	-
Mediatek Singapore Pte. Ltd.	357	1,551
Other related parties	241	170
Net	$33,257	$7,956

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(i) Contract liabilities

	December 31, 2020	December 31, 2019
MediaTek Inc.	$183	$192

(j) Account payables to related parties

	December 31, 2020	December 31, 2019
Wei Jiu Industrial Co., Ltd.	$16,512	$30,713
Associates	2,975	-
Total	$19,487	$30,713

(k) Other payables to related parties

	December 31, 2020	December 31, 2019
Fixwell Technology Corp.	$46,612	$62,269
Wei Jiu Industrial Co., Ltd.	18,013	27,712
Other related parties	831	1,067
Total	$65,456	$91,048

(l) Other income

	For the years ended December 31,	
	2020	2019
Associate	$681	$-

(m) Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	$142,306	$145,025
Post-employment benefits	1,509	1,652
Total	$143,815	$146,677

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2020	December 31, 2019	Purpose of pledge
Other current financial assets	$4	$4	L/C guarantee deposits
Other non-current financial assets	115,669	113,125	Customs clearance
Land	914,594	914,594	Long-term borrowings
Building and facility	1,740,093	2,299,431	Long-term borrowings
Machinery and equipment	8,199,112	2,017,459	Long-term borrowings
Construction-in-progress	475,287	324,916	Long-term borrowings
Right-of-use assets	64,589	64,960	Long-term borrowings
Total	$11,509,348	$5,734,489	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2020, the following contingencies and material commitments were not included in the Company’s consolidated financial statements:

A. The Company's issued and outstanding letters of credit is approximately NT$510,912 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT$1,024,192 thousand with NT$806,823 thousand already paid and NT$217,369 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT$48,006,475 thousand.

D. The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.’s lines of credit. The lines of credit were provided by KGI Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, E.SUN Commercial Bank (China) in Dongguan branch, Bank of Taiwan in Shanghai branch and SinoPac Commercial Bank in Shanghai branch in the amount of US$8,000 thousand, US$5,000 thousand, US$5,000 thousand, CNY$30,000 thousand, CNY$30,000 thousand and CNY$50,000 thousand, respectively.

E. The Company entered into loan agreements with Mega International Commercial Bank and First Commercial Bank , the following financial covenants shall be maintained on annual basis during the period from 2020 to 2025:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio not less than 300%.

The Company entered into a loan agreement with Far Eastern Int'l Bank , the following financial covenants shall be maintained on semi-annual and annual basis during the period from 2020 to 2023:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio no less than 300%.

The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2018 to 2023:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2018 to 2023, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

The Company entered into a syndicated loan agreement with 13 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2020 to 2025:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 150%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2020 to 2025, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

The subsidiary of King Long Technology (Suzhou) Ltd. entered into a syndicated loan agreement with 6 banks, led by Taiwan Bank in Shanghai branch, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2019 to 2024:

(a) Current ratio not less than 100%;
(b) Debt ratio not more than 140%;
(c) Interest coverage ratnot less than 100%;
(d) Equity not less than CNY 800 million.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2019 to 2024, Taiwan Bank in Shanghai branch may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank’s written approval for such course of action, when necessary.

The subsidiary of King Long Technology (Suzhou) Ltd. entered into a syndicated loan agreement with 8 banks, led by Taiwan Bank in Shanghai branch, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2019 to 2025:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 140%;
(c) Interest coverage ratnot less than 100%;
(d) Equity not less than CNY 800 million.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2019 to 2025, Taiwan Bank in Shanghai branch may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank’s written approval for such course of action, when necessary.

As of December 31, 2020, the Company did not violate any financial covenants.

F. As some shareholders of Dawning has claimed objections against the merger transaction with Dawning relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price on November 20, 2018. The Company reached a settlement with the abovementioned shareholders on August 31, 2020, and two parties submitted the settlement letter to Hsinchu District Court in September 2020. This case has no significant impact on the Company’s operation.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

On March 12, 2021, the Board of Directors resolved to approve the proposal for King Long Technology (Suzhou) Ltd. to launch an initial public offering ("IPO") of RMB denominated ordinary shares (A- shares) on the Shanghai Stock Exchange or Shenzhen Stock Exchange. The IPO resolution will need to be approved by the shareholders' meeting.

12. Others

(1) Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets at fair value through other comprehensive income	$4,446,563	$2,455,280
Financial assets measured at amortized cost (Note)	14,292,601	12,431,811
Total	$18,739,164	$14,887,091
Financial liabilities		
Financial liabilities at amortized cost:		
Short-term borrowings	$100,854	$493,383
Payables (including related parties)	1,141,877	1,087,309
Other payables (including related parties)	3,603,401	4,028,162
Long-term loans (including current portion)	23,810,788	20,328,045
Lease liabilities	876,581	1,278,243
Guarantee deposits	2,755	1,933
Total	$29,536,256	$27,217,075

Note: Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit Committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primarily for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates of US$ and CNY. The sensitivity analysis is as follows:

When NT$ appreciates or depreciates against US$ by 1%, the profit for the years ended December 31, 2020 and 2019 would have increased/decreased by NT$33,527 thousand and NT$28,332 thousand, respectively.

When NT$ appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2020 and 2019 would have decreased/increased by NT$9,081 thousand and NT$4,325 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rate. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company's sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT$23,965 thousand and NT$20,865 thousand for the years ended December 31, 2020 and 2019, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2020 and 2019, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT$5,623 thousand and NT$11,025 thousand on the equity attributable to the Company.

Please refer to Note 12(3) section H for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

D. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment and insurance.

As of December 31, 2020 and 2019, receivables from top ten customers represented 48% and 47% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

E. Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investments in securities with high liquidity, and facilities of bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2020						
Payables	$4,745,278	$-	$-	$-	$-	$4,745,278
Borrowings	2,207,096	8,543,302	10,888,485	2,074,113	963,275	24,676,271
Lease liabilities (Note)	310,144	85,396	22,189	22,662	436,190	876,581
December 31, 2019						
Payables	$5,115,471	$-	$-	$-	$-	$5,115,471
Borrowings	1,237,454	12,533,040	2,699,613	5,066,370	218,854	21,755,331
Lease liabilities (Note)	792,980	18,654	19,005	19,363	428,241	1,278,243

Notes: Information about the maturities of lease liabilities is provided in the table below:

	Maturities Period				
Lease liabilities	Less than 1 year	1 to 5 years	6 to 10 years	>10 years	Total
December 31, 2020	$310,144	$153,194	$108,107	$305,136	$876,581
December 31, 2019	$792,980	$76,728	$97,410	$311,125	$1,278,243

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

F. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2020:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$493,383	$20,328,045	$1,278,243	$22,099,671
Cash flows	(390,244)	3,722,800	(510,312)	2,822,244
Non-cash changes				
Syndicated loan issuance costs	-	19,333	-	19,333
Amortization on bonds payable	-	(3,765)	-	(3,765)
Additions to right-of-use assets	-	-	89,750	89,750
Remeasurement of lease liabilities	-	-	25,202	25,202
Foreign exchange movement	(2,285)	(255,625)	(6,302)	(264,212)
As of December 31, 2020	$100,854	$23,810,788	$876,581	$24,788,223

Reconciliation of liabilities for year ended December 31, 2019:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	$111,879	$16,935,144	$-	$17,047,023
Beginning adjustments	-	-	522,423	522,423
Cash flows	402,919	3,591,313	(18,186)	3,976,046
Non-cash changes				
Syndicated loan issuance costs	-	14,771	-	14,771
Amortization on bonds payable	-	(1,351)	-	(1,351)
Additions to right-of-use assets	-	-	774,671	774,671
Remeasure of lease liabilities	-	-	135	135
Foreign exchange movement	(21,415)	(211,832)	(800)	(234,047)
As of December 31, 2019	$493,383	$20,328,045	$1,278,243	$22,099,671

G. Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instruments.

b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(3) section H for fair value measurement hierarchy for financial instruments of the Company.

H. Fair value measurement hierarchy

a. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company’s assets and liabilities on a recurring basis:

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$28,117	$-	$4,418,446	$4,446,563

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$55,123	$-	$2,400,157	$2,455,280

Transfers between Level 1 and Level 2 during the period

The transfer between Level 1 and Level 2 during 2019 was because of the expiry of lock-up period of the related investments. There was no such transfer during 2020.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2020：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2020	$2,400,157
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	2,018,289
Ending balances as at December 31, 2020	$4,418,446

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2019：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2019	$1,725,878
Liquidation return of surplus value	(395)
Total gains and losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	674,279
Reversal of liquidation loss recognized in retain earnings	395
Ending balances as at December 31, 2019	$2,400,157

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2020

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$489,775 thousand.
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$1,495 thousand.

As at December 31, 2019

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$265,575 thousand.
Stocks	Markets approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$1,426 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

I. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2020		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$190,855	28.48	$5,435,546
CNY	768,237	4.377	3,362,575
JPY	440,924	0.2763	121,827
Monetary financial liabilities			
US$	308,578	28.48	8,788,289
CNY	560,758	4.377	2,454,439
JPY	277,443	0.2763	76,657

	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$156,508	29.98	$4,692,104
CNY	666,207	4.305	2,868,019
JPY	466,659	0.276	128,798
Monetary financial liabilities			
US$	251,010	29.98	7,525,289
CNY	565,735	4.305	2,435,488
JPY	311,606	0.276	86,003

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT$242,514 thousand and NT$59,506 thousand for the years ended December 31, 2020 and 2019, respectively.

J. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2020:

A. Financing provided to others: None.
B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.
C. Securities held as of December 31, 2020: Please refer to Attachment 2.
D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: Please refer to Attachment 3.
F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: Please refer to Attachment 5.
I. Financial instruments and derivative transactions: None.
J. Parent-subsidiary relationship between business dealings and important circumstances: Please refer to Attachment 6.

(2) Information on investees

Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 7.

(3) Investment in Mainland China: Please refer to Attachment 6 and Attachment 8.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(4) Major shareholders information: There is no shareholder who owns above 5% securities of the Company as at December 31, 2020.

14. Segment Information

A. General information

The main revenue stream of the Company comes from testing and assembly services. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

B. Regional information

(a) From external customer revenue:

	For the years ended December 31,	
	2020	2019
Taiwan	$8,184,190	$6,615,790
Asia	14,551,928	13,433,065
North America	5,565,380	4,925,101
Others	657,806	565,481
Total	$28,959,304	$25,539,437

(b) Non-current assets information is as follows:

	December 31, 2020	December 31, 2019
Taiwan	$32,645,996	$31,678,654
Asia	7,893,696	6,631,220
Others	22,557	28,715
Total	$40,562,249	$38,338,589

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(c) Important customer information

For the years ended December 31, 2020 and 2019, the information of external customer's revenue which exceeds 10% of the Company's consolidated revenues is as follows:

	For the years ended December 31,			
	2020		2019	
	Amount	% to Total	Amount	% to Total
MediaTek Inc.	$2,917,792	10%	$1,967,302	8%

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 1

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	Suzhou Zhengkuan Technology Ltd.	(Note1)	$5,863,814	$1,364,430	$994,110	$369,806	-	3.39%	$11,727,628	Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2020.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 2

MARKTEABLE SECURITIES HELD

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2020				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock	ADL Engineering INC.	-	Non-current financial assets at fair value through other comprehensive income	210,614	$-	1.76%	$-	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	57,810,000	1,203,620	7.58%	1,203,620	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	2.74%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	3,204,360	16.78%	3,204,360	
	Stock	Mcube Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.97%	-	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	436,046	15,174	1.23%	15,174	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	12,943	0.32%	12,943	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	10,466	17.16%	10,466	

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 3

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE CAPITAL PAID-IN

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
The Company	Land and building	2020.10.30 (Note)	$350,000	According to the trading term of purchase order, no payment needed as of December 31, 2020.	Henghou Xingye Co., Ltd.	None	Not applicable				Reference to valuation report	Purpose: to meet the needs of future operation and development Using status: ownership not transferred	None
The Company	Land and building	2020.12.25 (Note)	$639,000	According to the trading term of purchase order, no payment needed as of December 31, 2020.	Weishun architecture Co., Ltd.	None	Not applicable				Price comparison and bargaining	Purpose: to meet the needs of future operation and development Using status: ownership not transferred	None

Note: Board of Directors approval date. As of December 31, 2020, the purchase agreement has not been signed.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 4

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)	
			Purchase/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	$2,820,870	12.08%	Month-end 75 days	-	-	$1,056,080	20.78 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$2,177,299	9.33%	Month-end 60 days	-	-	$523,417	10.30 %
	Airoha Technology Corporation	Subsidiary of MediaTek Inc.	Sales	$247,795	1.06%	Month-end 60 days	-	-	$51,245	1.01 %
	King Long Technology (Suzhou) Ltd.	Subsidiary	Sales	$142,873	0.61%	Month-end 180 days	-	-	$67,066	1.32 %
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	$127,948	2.72%	Month-end 180 days	-	-	$72,255	9.30 %

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 5

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	$1,081,788 (Note 1)	3.74	$9,560	-	$647,514	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	$523,774 (Note 2)	5.22	$16	-	$326,683	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	$138,725 (Note 3)	3.46	$-	-	$65,397	-
King Long Technology (Suzhou) Ltd.	KING YUAN ELECTRONICS CO., LTD.	The Parent company	$233,650 (Note 4)	3.90	$-	-	$-	-
	Suzhou Zhengkuan Technology Ltd.	Subsidiary	$123,174 (Note 5)	1.71	$-	-	$43,939	-

Note 1: Includes other receivables - related party amounting to NT$25,708 thousand arising from handling charges, freights and tax fees.

Note 2: Includes other receivables - related party amounting to NT$357 thousand arising from customs clearance charges and freights.

Note 3: Includes other receivables - related party amounting to NT$71,659 thousand arising from disposal of equipments and accessories.

Note 4: Includes other receivables - related party amounting to NT$233,456 thousand arising from disposal of equipments and accessories.

Note 5: Includes other receivables - related party amounting to NT$50,919 thousand arising from utility fees.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 6

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Finacial Statement Account	Amount (Foreign Currency in Thousands)	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	$46,458	according to contract	0.16%
				Accrued expenses	3,987		0.01%
		King Long Technology (Suzhou) Ltd.		Receivable on equipment	287,847		0.47%
				Payables on equipment	243,360		0.40%
				Accounts receivable	67,066		0.11%
				Other receivables	71,659		0.12%
				Accrued expenses	233,588		0.38%
				Sales revenue	142,873		0.49%
				Deferred credits	101,869		0.17%
		KYEC Japan. K.K.		Other receivables	1,575		0.00%
				Accrued expenses	3,052		0.00%
				Commission expense	19,844		0.07%
		KYEC Singapore PTE. LTD.		Commission expense	33,084		0.11%
		Suzhou Zhengkuan Technology Ltd.		Endorsement guarantee	994,110		-
					(US$18,000)		-
					(CNY 110,000)		-
				Receivable on equipment	27,847		0.05%
				Accounts receivable	2,616		0.00%
				Other receivables	5,427		0.01%
				Sales revenue	8,941		0.03%
				Deferred credits	14,307		0.02%
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	127,948		0.44%
				Accounts receivable	72,255		0.12%
				Other receivables	50,919		0.08%

Note 1: The information of transactions between the Company and the conlidated subsidiaries should be noted in "Number" column.
(1) Number 0 represents the Company.
(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:
(1) The Company to the consolidated subsidiary.
(2) The consolidated subsidiary to the Company.
(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment income (loss) recognised by the Company for the year ended of December 31, 2020.	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	CarryingValue			
The Company	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	$4,973	$4,973	160,000	100.00 %	$12,035	$1,109	$1,109	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,292,315	164,923,636	100.00 %	5,691,034	1,072,053	1,072,053	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	362,498	68,186	68,186	
	KYEC Japan. K.K.	Note 4	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	56,828	4,796	4,309	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	2,130	132	132	
	Fixwell Technology Corp.	Note 6	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	46,981	43,506	10,076	
	Wei Jiu Industrial Co., Ltd.	Note 7	CNC center processing machine, lathe machining processing design and various precision mechanical components manufacturing	10,200	10,200	1,020,000	34.00 %	22,875	17,682	6,012	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	72,600	6,600,000	100.00 %	69,962	(2,443)	(2,443)	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 199,826	USD 38,319	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 12,728	USD 38,319	-	

Note 1：101 Meto Drive., #540 San Jose, CA 95110 USA.
Note 2：Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.
Note 3：Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.
Note 4：5F 2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.
Note 5：750A Chai Chee Road Unit 07-22 Technopark @Chai Chee, Singapore 469001.
Note 6：No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)
Note 7： No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)
Note 8 : No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)
Note 9：P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2020

(Amounts in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	$517,425 (USD 18,168)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	$3,521,694 (USD 123,655)	$-	$-	$3,521,694 (USD 123,655)	$1,140,239 (USD 38,319)	100%	$1,140,239 (USD 38,319)	$6,053,533 (USD 212,554)	$-
Suzhou Zhengkuan Technology Ltd.	Note 3	$2,328,589 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	$1,388,931 (USD 48,769)	$-	$-	$1,388,931 (USD 48,769)	$113,006 (USD 3,855)	100%	$113,006 (USD 3,855)	$505,845 (USD 17,761)	$-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$4,910,625 (USD 172,424)	$4,910,625 (USD 172,424)	$17,591,443

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integarted circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: Investment was through King Long Technology (Suzhou) Ltd.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial position: N/A.

Six. Review and analysis of financial position and financial performance, and risk assessment

I. Financial Status

The main reasons for any material change in the Company's assets, liabilities, or shareholders' equity during the past two fiscal years, and the effect thereof, and the measures to be taken in response if the effect is of material significance.

Analysis of financial position

Unit: NTD thousand

Title \ Year	2020.12.31	2019.12.31	Increase (decrease)	Variation (%)
Current assets	15,811,876	13,890,983	1,920,893	13.83
Non-current financial assets at fair value through other comprehensive income	4,446,563	2,425,166	2,021,397	83.35
Investment under equity method	69,856	65,228	4,628	7.10
Property, plant and equipment	39,147,575	36,890,887	2,256,688	6.12
Other non-current assets	1,839,648	1,806,885	32,763	1.81
Total assets	61,315,518	55,079,149	6,236,369	11.32
Current liabilities	8,219,797	7,900,969	318,828	4.04
Non-current liabilities	23,769,645	20,979,726	2,789,919	13.30
Total liabilities	31,989,442	28,880,695	3,108,747	10.76
Capital stock	12,227,451	12,227,451	-	-
Additional paid-in capital	4,588,172	4,832,721	(244,549)	(5.06)
Retained earnings	11,206,995	9,534,173	1,672,822	17.55
Total shareholders' equity	29,326,076	26,198,454	3,127,622	11.94
The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NTD 10 million, and the effect thereof are analyzed and stated as follows: Increase in financial assets measured at fair value through other comprehensive income – non-current: Mainly due to the increase in fair value of Yann Yuan Investment Co., Ltd. and Xie Yong Investment Co., Ltd.				

II. Financial Performance

The main reasons for any material change in operating revenues, operating income, and income before tax during the past two fiscal years, and sales volume forecast and the basis thereof, and the effect upon the Company's financial operations as well as measures to be taken in response.

Comparison and analysis of operating results

Unit: NTD thousand

Title \ Year	2020	2019	Increase (decrease)	Variation (%)
Operating revenue	28,959,304	25,539,437	3,419,867	13.39
Operating cost	(21,005,316)	(18,523,521)	2,481,795	13.40
Gross profit	7,953,988	7,015,916	938,072	13.37
Operating expense	(3,303,277)	(2,970,902)	332,375	11.19
Net operating profit	4,650,711	4,045,014	605,697	14.97
Non-operating revenue and expense	(107,056)	(130,151)	23,095	17.74
Net profit before tax	4,543,655	3,914,863	628,792	16.06
Income tax expense	(906,515)	(873,379)	33,136	3.79
Net profit – current period	3,637,140	3,041,484	595,656	19.58
Other comprehensive income (loss) – current period	1,691,418	343,585	1,347,833	392.29
Total comprehensive income – current period	5,328,558	3,385,069	1,943,489	57.41
The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NTD 10 million, and the effect thereof are analyzed and stated as follows: Increase in other comprehensive income and total comprehensive income in the current period: This was mainly due to recognition of gains on unrealized evaluation of Yann Yuan Investment Co., Ltd. and Xie Yong Investment Co., Ltd.				

III. Cash flow

Any cash flow changes during the most recent fiscal year, corrective measures to be taken in response to illiquidity, and a liquidity analysis for the coming year.

Analysis of liquidity in the previous two years

Item \ Year	2020	2019	Increase (decrease) (%)
Cash flow ratio	150.89%	137.12%	10.04%
Cash flow adequacy ratio	87.39%	85.75%	1.91%
Cash flow reinvestment ratio	7.90%	7.84%	0.77%
Analysis of variations: The variation between the previous and current periods was less than 20%.			

Analysis of liquidity in the coming year

Unit: NTD thousand

Initial cash balance ①	Projected net cash flow from operating activities for the year ②	Projected cash outflow of the year ③	Projected cash balance (deficit) ①＋②-③	Remedial measures against insufficient projected cash flow	
				Investment plans	Financing plans
5,110,784	10,202,065	17,015,304	(1,702,455)	-	5,935,465

1. Analysis of cash flow for the year:
(1)Operating activities: The net cash inflow, NTD 10,202,065 thousand, is expected to be generated from operating activities.
(2)Investing activities: The capital expenditure is expected to be NTD 8,086,157 thousand.
(3)Financing activities: Expected to repay the long-term loan of NTD 5,296,287 thousand, allocate cash dividends, and distribute the remuneration to employees and directors of NTD 2,865,819 thousand.

IV. Impact of Material Capital Expenditures in the Most Recent Year on Business Performance

(I) Major capital expenditure and source of capital

Unit: NTD thousand

Projects	Actual or expected source of fund	Actual or expected date of completion	Total fund to be required	Actual or expected fund utilization		
				2019	2020	2021
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2019.12	11,780,663	10,817,151	963,512	-
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2020.12	10,594,833	-	9,971,509	623,324
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2021.12	9,378,654	-	-	9,378,654

(II) Projected benefits

1. Projected possible increased output/sale volume and value, and gross profit

Unit: NTD thousand

Year	Item	Output volume	Sale volume	Sale value	Gross profit
2021	Integrated circuits processing and test	Note	Note	968,502	193,700
2022	Integrated circuits processing and test	Note	Note	1,383,575	387,401
2023	Integrated circuits processing and test	Note	Note	1,383,575	387,401

Note: It is impossible to enumerate the same, because the unit of measurement varies depending on different processes.

2. Other benefits
   A. Strengthen the production structure of the vertical division of labor in the semiconductor industry.
   B. Balance the fab's production capacity which is growing rapidly, and share the risk over investment in the fab investment at the latter stage to upgrade the investment efficiency in the core business.
   C. Increase the high-efficiency and low-cost professional test services to upgrade the entire competitiveness.
   D. Solve the back-end production problems with respect to the IC design companies which the Company has successively invested in.

V. The Investment Strategy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

(I) The Company's investment strategy is primarily intended to align with the Company's enhanced development of the core business, so as to strengthen the relationship with major customers and extend the sensitivity of related industries.

(II) The investment gain, NTD 16,088 thousand, recognized by the Company under equity method in 2020, primarily resulted from the gain from the operation of the Company's investees, Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd.

(III) Investment plan for the coming one fiscal year: N/A.

VI. Analysis and assessment of risk factors

(I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures:

1. Notes to the impact of interest rate and exchange rate changes and inflation on the Company's earnings

   A. Impact of interest rate and exchange rate changes on the Company's earnings:

Unit: NTD thousand

Item	2019	2018
Exchange gains (losses) (A)	39,870	55,551
Interest income (expense) (B)	(210,161)	(232,574)
Operating revenue (C)	23,344,758	21,845,844
Net profit before tax (D)	4,367,367	3,815,111
A/C (%)	0.17	0.25
A/D (%)	0.91	1.46
B/C (%)	-	-
B/D (%)	-	-

Source of data: The financial statements certified by the CPA.

For the interest rate and exchange rate changes, the interest expenditure rendered more substantial impact on the earnings.

   B. The influence of inflation on the Company's earnings: The inflation has no material impact on the Company's earnings.

2. The Company's responsive measures against interest rate and exchange rate changes and inflation:

   A. The capital expenditure is intended for the import of equipment. In order to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit, the Company reached an agreement with major customers to collect accounts receivable in USD, in part, to make some payments.

B. Establish Article 12 of the Operating Procedures for Acquisition or Disposition of Assets, “Operating Procedure for Acquisition or Disposition of Derivatives” as the basis for operation of the foreign currency exchange rate hedging tools to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit.

C. Collect the information about fluctuation in foreign exchange rate and interest rate on a daily basis to help take responsive measures in a timely manner.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

1. The Company has never engaged in any high-risk and highly leveraged investments or loans to third parties. Therefore, no impact on the Company’s operation was rendered by said transactions.
2. Endorsements/guarantees
   (1) To meet the need of Suzhou Zhen Kun Technology Ltd. for operation, the Company made an endorsement/guarantee for it to secure the loan from KGI Bank, HSBC Taiwan and Shanghai Commercial & Savings Bank. As of December 31, 2020, credit facilities granted by the above banks amounted to USD 8,000 thousand, USD 5,000 thousand and USD 5,000 thousand, respectively.
   (2) To meet the needs of Suzhou Zhen Kun Technology Ltd. for operation, the Company made an endorsement/guarantee for it to secure the loan from Bank of Taiwan Shanghai Branch, E.Sun Bank Dongguan Branch, and Bank SinoPac (China). As of December 31, 2020, a sum of RMB 30,000 thousand, RMB 30,000 thousand, and RMB 50,000 thousand had been drawn on separate credit facilities.
3. The Company adopts the stable policy to operate its financial fund. The fund is mainly deposited as term-deposit at banks and renowned money market/bond fund with fair rate of return. The Company also established the operating procedures for loaning to others and operating procedures for making endorsements/guarantees.

(III) Future research and development plans and projected expenses

Item No.	Plan	Projected duration	Projected expenses (NTD)
1	AGV (Automated Guided Vehicle) + Robot for wafer transit.	2021/Q4	2,600,000
2	ATC C/K(focus on FT/SLT testing) module development.	2021/Q4	1,500,000
3	Turret Module development.	2021/Q4	1,000,000
4	Gyro Handler UPH 5K for Loader/Un-loader module.	2021/Q4	2,000,000
5	High-power burn-in board water-cooling system.	2021/Q4	2,000,000
6	E320-FSEH testing interface & docking.	2021/Q3	2,000,000
7	Develop cost effective Burn in system for HPC IC. 1. Support higher power consumption up to 700W / per DUT. 2. Implement high communicated interface. 3. Enhance system reliability.	2021/Q4	13,000,000
8	Develop E-serial new generation logical tester. 1. E320 2048channel / 576DPS for CP/FT. 2. Anlog Option Mudule. 3. Implement performance DPS. 4. Enhance system reliability.	2021/Q4	23,500,000
9	Develop E-serial new generation logical tester. 1. E320 1024channel / 144 DPS for CP/FT. 2. Implement High Accuracy PPMU. 3. LVM 4G. 4. Enhance system efficiency.	2021/Q4	18,000,000
10	Develop E-serial CIS tester. 1. Add MIPI high speed option 4.5GHz. 2. Implement high parallel test DUT. 3. High density PE board for mobile. 4. Improve system efficiency. 5. Enhance CIS testing capability.	2021/Q4	35,000,000
11	Develop MEMS Gas Flow-Sensor mass production test technology. 1.Establish the experimental and certification environment for MEMS Gas Flow-Sensor. 2.R&D the test modules and technology for MEMS Gas Flow-Sensor.	2021/Q3	12,000,000
12	Develop MEMS High Humidity-Sensor mass production test technology. 1.R&D and certify MEMS High Humidity-Sensor modules and technology. 2.Develop testing environment for MEMS High Humidity Sensor	2021/Q3	12,000,000
13	Develop MEMS Bio-Sensor CP Wet mass production test technology. 1. Establish the experimental and certification environment for MEMS Bio-Sensor CP Wet test. 2. R&D the test modules and technology for MEMS Bio-Sensor CP Wet test.	2021/Q4	12,000,000
14	Develop VCPC for CRES Analysis Technology.	2021/Q4	3,000,000
15	Develop RF&High Speed PCB for <40GH RF Signal.	2021/Q4	3,000,000

(IV) Impact on the Company's financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures

The Company has taken adequate responsive measures against the changes in domestic or foreign policies and laws in recent years. Therefore, no significant impact should be rendered on the Company's financial standing.

(V) Impact on the Company's financial standing due to technological or industrial changes, and corresponding countermeasures

Considering that the test technology became increasingly complicated in the recent year, the Company needs to continue investing fixed funds to purchase new machines and equipment to develop new business opportunities. The Company has sound financial structure. Therefore, the Company's capital expenditure can satisfy the demand under the new orders for high-end test technology.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate identity

Ethics is the first priority which the corporate identity should focus on. The Company has specified such important principle in its corporate culture and Articles of Incorporation. Therefore, ethics has become an essence upheld by the Company in its corporate governance.

(VII) Expected benefits, risks and responsive measures of planned mergers or acquisitions: N/A.

(VIII) Expected benefits, risks and responsive measures associated with plant expansions: N/A.

(IX) Risks and responsive measures associated with concentrated sales or purchases: N/A.

(X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest: N/A.

(XI) Impacts, risks and responsive measures associated with a change of management: N/A.

(XII) Major litigations and non-contentious cases: Describe the major litigations, non-contentious cases or administrative litigations involving the Company or any director, president, person-in-charge or major shareholder with more than 10% ownership interest,

whether concluded or pending judgment, that are likely to pose a significant impact to shareholder equity or security prices of the Company, and disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

- **Non-contentious case: Application for the ruling against the subscription price of stock.**
  (1) **Case Summary:** Matters concerning the merger of Dawning Leading Technology Inc. – some shareholders of the former Dawning Leading Technology Inc. still had objections regarding the merger consideration of NTD 3.0 in cash per share.
  (2) **Amount involved:** NTD 52,585,275
  (3) **Start date of litigation:** On November 20, 2018, the Company filed a petition with the court for the determination to consolidate the consideration, and the amount of NTD 52,585 thousand belonging to the shareholders with objections was deposited in the account of the Taipei District Court.
  (4) **Primary parties involved:** King Yuan Electronics Co., Ltd. / Cal-Comp Thailand
  (5) **Status**: Both parties approved the settlement with a confidentiality agreement in Taiwan Hsinchu District Court on September 14, 2020. Therefore, the case was closed. Due to confidentiality agreement of both parties, the settlement amount was not openly disclosed. However, the settlement result of the case has no significant impact on the Company's finance or business.

(XIII) Other significant risks and response measures:

Analysis and assessment of information security risks:

The Company has established information security policies and management practices based on the risks identified. An Information Security Task Force has been assembled to review information security policy and conduct information security training on a regular basis.

- Information security policy and management
  - ◆ Operational impact analysis (internet risk assessment): At least once a year
  - ◆ Information security policy

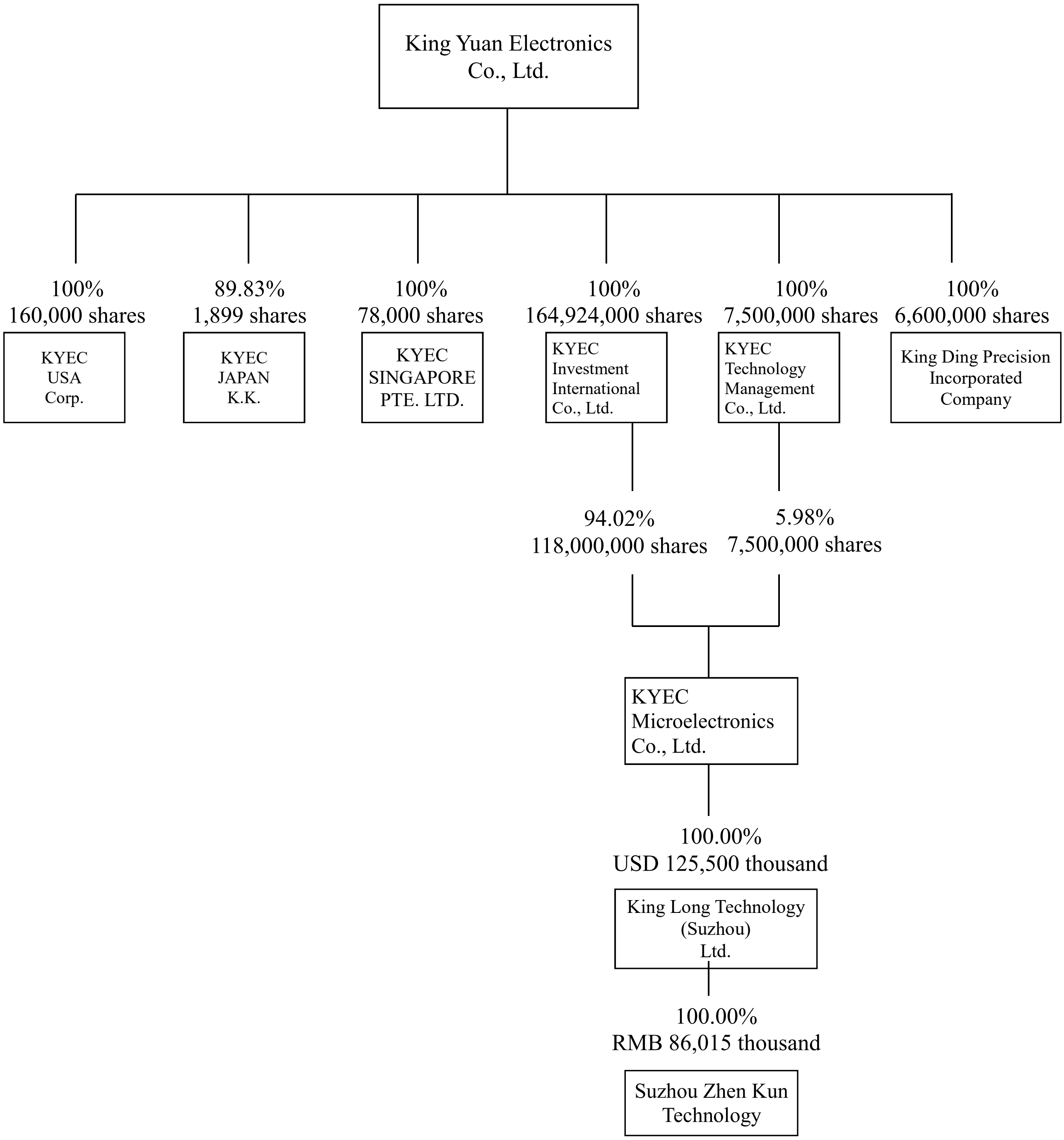
        - ✓ Network security management
        - ✓ System access control
        - ✓ System development, maintenance and security management
        - ✓ Information asset security management
        - ✓ Off-site support
    - ◆ Emergency response measures
        - ✓ Information security incident reporting
        - ✓ Information security incident reporting procedures and channels
- ● Security Task Force
    - ◆ Regular meetings
    - ◆ Devise information security policies review execution progress
- ● Employee information security training
    - ◆ Regular information security training for employees

VII. Other Significant Events: N/A.

Seven. Special Items

I. Information on Affiliates

(I) Organizational chart of affiliates



(II) Basic information on affiliated companies

Corporate name	Date of Establishment	Address of Establishment	Paid-in capital	Core Business
KYEC USA Corp.	July 2000	CA USA	USD 160 thousand	Acts as the agent for business in the territories of the U.S.A. and related communications.
KYEC SINGAPORE PTE. LTD.	December 2006	SINGAPORE	SGD 78 thousand	Acts as the agent for business in the territories of South East Asia and Europe and related communications.
KYEC JAPAN K.K.	April 2002	FUKUOKA JAPAN	JPY 84,560 thousand	Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.
KYEC Investment International Co., Ltd.	May 2002	B.V.I	USD 164,924 thousand	General investment
KYEC Technology Management Co., Ltd.	January 2003	SAMOA	USD 7,500 thousand	General investment
KYEC Microelectronics Co., Ltd.	May 2002	CAYMAN	USD 125,500 thousand	General investment
King Ding Precision Incorporated Company	March 2018	Chu-Nan Township, Miaoli County	NTD 66,000 thousand	Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products
King Long Technology (Suzhou) Ltd.	September 2002	Suzhou City, Jiangsu Province, China	USD 18,168 thousand	Engaged in the operation of business about processing, assembly and sale of analog or hybrid automatic data processor parts, solid memory system and heating ovens, and integrated circuit package and test.
Suzhou Zhen Kun Technology Ltd.	December 2005	Suzhou City, Jiangsu Province, China	RMB 533,348 thousand	Integrated circuits package and test, production and sale of processed electronic parts, electronic materials, analog or hybrid automatic data processor, solid memory system and heating ovens, and related after-sale services

(III) Entities having controlling and subordinate relations with the Company under Article 369-3 of the Company Act: N/A.

(IV) The industry covered by the business operated by the affiliated

companies: For the industry covered by the business operated by the affiliated companies, please refer to the main business lines in the "(II) Basic information on affiliates" on the same page.

(V) Information on directors, supervisors, and presidents of affiliated corporations

2020.12.31

Name of affiliated corporations	Title	Name or Representative	Shareholding	
			Shares	Shareholding ratio (%)
KYEC USA Corp.	Chairman	An-Hsuan Liu (Representative of KYEC)	160,000 shares	100.00
	Director	Victor Lim (Representative of KYEC)	160,000 shares	100.00
	Director	Pei-Liang Sun (Representative of KYEC)	160,000 shares	100.00
	Director	Neil Chung (Representative of KYEC)	160,000 shares	100.00
KYEC SINGAPORE PTE. LTD.	Chairman	An-Hsuan Liu (Representative of KYEC)	78,000 shares	100.00
	Director	Gauss Chang (Representative of KYEC)	78,000 shares	100.00
	Director	Victor Lim (Representative of KYEC)	78,000 shares	100.00
	Director	Logan Chao (Representative of KYEC)	78,000 shares	100.00
KYEC JAPAN K.K.	Chairman	Victor Lim (Representative of KYEC)	1,899 shares	89.83
	Director	Morris Chang	0 share	0.00
	Director (Adjunct President)	Yoshiaki Suzuki	37 shares	1.75

	Supervisor	Logan Chao	0 share	0.00
	Supervisor	Yoshiro Hori	55 shares	2.60
KYEC Investment International Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC)	164,924,000 shares	100.00
KYEC Technology Management Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC)	7,500,000 shares	100.00
KYEC Microelectronics Co., Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC Investment International Co., Ltd.and KYEC Technology Management Co., Ltd.) Representative)	125,500,000 shares	100.00
King Long Technology (Suzhou) Ltd.	Chairman	Chin-Kung Lee (Representative of KYEC Microelectronics Co.)	USD 18,167 thousand	100.00
	Director (Adjunct President)	An-Hsuan Liu (Representative of KYEC Microelectronics Co.)	USD 18,167 thousand	100.00
	Director	Aaron Chang (Representative of KYEC Microelectronics Co.)	USD 18,167 thousand	100.00
	Supervisor	Gauss Chang (Representative of KYEC Microelectronics Co.)	USD 18,167 thousand	100.00
Suzhou Zhen Kun Technology Ltd.	Chairman	Chin-Kung Lee (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015 thousand Acquired ownership of RMB 533,348 thousand	100.00
	Director (Adjunct President)	An-Hsuan Liu (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015 thousand Acquired ownership of RMB 533,348 thousand	100.00
	Director	Gauss Chang (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015 thousand Acquired ownership of RMB 533,348 thousand	100.00

	Supervisor	K.K Lee (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB 86,015 thousand Acquired ownership of RMB 533,348 thousand	100.00
King Ding Precision Incorporated Company	Chairman	Chin-Kung Lee (Representative of KYEC)	6,600,000 shares	100.00
	Director	Steven Chang (Representative of KYEC)	6,600,000 shares	100.00
	Director	K.K Lee (Representative of KYEC)	6,600,000 shares	100.00
	Supervisor	Logan Chao (Representative of KYEC)	6,600,000 shares	100.00

(VI) Operating overview of affiliated corporations

Unit: NTD thousand

Name of affiliated corporations	Capital	Asset Total amount	Liability Total amount	Net worth	Operating Revenue	Operating Income	Current profit and loss (after tax)	EPS (NTD) (after tax)
KYEC USA Corp.	4,973	37,741	25,706	12,035	46,339	1,608	1,109	6.93
KYEC SINGAPORE PTE. LTD.	1,830	8,780	6,650	2,130	32,917	(1,253)	132	1.69
KYEC JAPAN K.K.	23,897	79,010	15,749	63,261	26,659	5,051	4,796	2,268.88
KYEC Investment International Co., Ltd.	5,292,315	5,691,035	-	5,691,035	-	-	1,072,053	6.50
KYEC Technology Management Co., Ltd.	251,579	362,498	-	362,498	-	-	68,186	9.09
KYEC Microelectr-onics Co., Ltd.	4,074,993	6,061,843	5	6,061,838	-	-	1,140,239	9.09
King Long Technology (Suzhou) Ltd.	558,030	12,079,548	6,096,963	5,982,585	4,704,742	1,059,570	1,140,239	-
Suzhou Zhen Kun Technology Ltd.	2,397,835	1,165,288	735,501	429,787	1,178,706	120,954	113,006	-
King Ding Precision Incorporated Company	66,000	71,519	985	70,534	5,305	(401)	(2,443)	(0.37)

II. Any private placement of securities in the recent years up to the publication of this annual report: N/A.

III. Holding or disposition of the Company's stock by subsidiaries in the most recent year and up to the publication date of the annual report: N/A.

IV. Other important supplementary information: N/A.

VIII. Any events in the most recent year and up to the date of publication of this annual report that had significant impacts on the interest of shareholder rights or security prices as stated in subparagraph 2 of paragraph 3 of Article 36 of the Securities and Exchange Act: N/A.

King Yuan Electronics Co., Ltd.
Chairman: Chin-Kung Lee

京元電子股份有限公司
The Testing Industry Benchmark

■ Headquarters: 30070 No. 81, Sec. 2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C. TEL: 886-3-5751888
Headquarters: 30070 No. 81, Sec. 2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C.

■ Chunan Branch: 35053 No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C. TEL: 886-37-595666
Chunan Branch: 35053 No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.

■ Tongluo Branch: 36645 No. 8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C. TEL: 886-37-980188
Tongluo Branch: 36645 No. 8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C.