

**Stock Code: 1618**

# **2020 Annual Report**

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<http://www.hold-key.com.tw> (company website)**

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**Published on May 25, 2021**

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- VI. Company website: [www.hold-key.com.tw](http://www.hold-key.com.tw)

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## One. Letter to Shareholders

### I. 2020 Operation Overview

#### (I) Implementation results of business plan

Looking back to 2020, the global economy faced the biggest test since the financial crisis in 2009. The U.S.-China trade conflict, which flared up in 2019, was finally eased in early 2020 with the signing of the first phase of the agreement, but the political and economic situation, which had been expected to be stabilized, was hit again by the COVID-19 epidemic. However, due to the effective integration of internal resources, the Company has been able to improve the efficiency of its cable manufacturing process and achieve significant growth in gross margin, and at the maintain a stable customer base, develop public construction works and high value-added product markets and strengthen product quality and market differentiation, thus delivering stable profit growth for the second consecutive year.

The Company's consolidated revenue for 2020 was NT\$2,822,947 thousand, gross profit was NT\$340,905 thousand, gross profit margin reached 12%, operating profit was NT\$240,642 thousand, and net profit after tax was NT\$294,163 thousand.

The Company's invested enterprise, Muchon Organic Farm Co., Ltd., also actively adjusted its production and sales model to meet market demand and stabilize its operating results.

Looking ahead, the Company will take a more rigorous and proactive approach and, on the basis of the existing foundation, continue to expand the market for cable-related products in the forward-looking plan, meet the demand for grid-connected cables in related industries under the government's non-nuclear home energy policy, and invest in the development of new products such as super heat-resistant aluminum-clad steel core aluminum wire and heat-resistant composite core aluminum wire, obtain product certifications from various countries, develop overseas markets, enhance product competitiveness, strengthen management, and reduce costs and operational risks.

Based on the concept of sustainable management and fulfilling corporate social responsibility, the company will move into the international arena as a professional wire and cable manufacturer with a stable operation, and expects to create new achievements in the future to reward the efforts of employees and the support of shareholders.

#### (II) Financial receipts and expenditures and budget implementation

##### 1. Financial Receipts and Expenditures

Unit: Thousand NT\$

Item	2020 (IFRS)-stand-alone	2019 (IFRS)-stand-alone	Increase or decrease %	2020 (IFRS)-consolidated	2019 (IFRS)-consolidated	Increase or decrease %
Operating revenues	2,818,659	2,752,856	2.39%	2,822,947	2,757,736	2.36%
Operating costs	2,474,138	2,581,613	( 4.16%)	2,482,042	2,589,935	( 4.17%)
Operating gross profits	344,521	171,243	101.19%	340,905	167,801	103.16%
Operating expenses	99,233	107,592	( 7.77%)	100,263	108,721	( 7.78%)
Operating profits	245,288	63,651	285.36%	240,642	59,080	307.32%
Non-operating income and expense	48,875	17,766	175.10%	53,521	22,337	139.61%
Net profits before tax	294,163	81,417	261.30%	294,163	81,417	261.30%

##### 2. Budget Implementation Status

The 2020 financial forecast was not made public, so there is no question of whether the budget was achieved or not.

#### (III) Profitability analysis

Analysis	Ratio (%) - stand-alone	Ratio (%) - consolidated
Return on assets (%)	5.02%	5.01%
Return on equity (%)	5.55%	5.55%
Profits before tax to paid-in capital (%)	12.21%	12.21%
Net profit margin (%)	8.58%	8.57%
Earnings per share (NT\$)	1.00	1.00

#### (IV) Research and Development

The Company's R&D is committed to the development of new products in domestic and foreign markets, and the improvement of production technology and equipment and at present, has completed the development of 69KV, 161KV and 345KV ultra-high voltage power cables, Aluminum (lead) covered ultra-high voltage power cables below 400KV, ultra-high voltage optical fiber composite power cables, 15KV and 25KV cable accessories, cross-linked PE termite-proof cables, bare aluminum wire, heat-resistant steel core aluminum wire, heat-resistant composite core aluminum wire, Japanese snow-proof high-voltage overhead aluminum wire and steel core aluminum wire, rubber cable, heat-resistant cable, low-smoke, non-toxic and fire-resistant cable, communication cables below 3200 pairs, various types of optical fiber cables, Cat.6, Cat.7 network cables, CMP network cables, and USB3.1 TYPE C electronic cables. These professional and diversified products put HOLD-KEY in a pivotal position in the industry. In the future, in the spirit of R&D and innovation, the Company will continue to develop and produce more high value-added and high-quality products.

#### II. Business plan outline for the current year

##### (I) Operation Strategy

- (1) Continue to develop new products and upgrade product levels, launch high value-added and market-competitive products, achieve product and customer diversification, and expand sales markets.
- (2) Enhance internal management so that all employees have a full understanding of the Company's future direction and operational objectives, and establish the concept of cost effectiveness for all employees so as to create maximum benefits with minimum costs in order to maintain the Company's competitiveness.

##### (II) Sales volume forecast and the basis

Regarding the Company's 2021 business target, after careful evaluation based on past sales performance and order loading this year, sales quantity of wires and cables is expected to be 45,000 kilometers.

##### (III) Important production and sales policies

In order to pursue growth, the Company offers a wide range of diversified products such as high-voltage power cables, bare aluminum wires, rubber cables, communication cables below 3200 pairs, Internet cables, optical fiber cables, heat-resistant cables, and low-smoke, non-toxic and fire-resistant cables this year; in terms of sales, actively expands sales channels and further cultivates existing sales market, and with a more complete product portfolio and sufficient supply capacity, effectively competes for customers, and enhances risk control. It is expected that with the multi-faceted approach, the Company will be able to more accurately comprehend market trends and create operational success.

#### III. The Company's development strategy for the future

The Company continues to compete for public engineering tenders and develop niche products and also, in conjunction with the government's non-nuclear homeland policy, explores the demand for grid-connected cables for green energy-related industries and provides diversified and complete cable products for the export market so as to stabilize the Company's profitability.

#### IV. Effect of external competition, legal environment, and overall business environment.

Looking ahead to 2021, as the U.S.-China trade conflict remains and the COVID-19 epidemic continues to impact, although the introduction of the vaccine is expected to mitigate with positive impact on the economy, the lack of containers for global shipping has led to longer delivery times, and the scramble for materials, price increases and shortages of raw materials continue, and the price of copper sheet, the largest raw material for our cable factories, has been rising since the third quarter of 2020, affecting the supply chain's supply situation and testing the decisiveness of business decisions and the high sensitivity of market demand, the Company will continue to improve quality management, offer a more complete product portfolio, obtain product certifications from various areas, enhance the control of operating costs and reduce risks, and actively develop high value-added products at a high speed to move into the international arena as a solid and professional cable manufacturer. and is looking forward to making new achievements in the future to reward our shareholders.

We would like to express our most profound gratitude to the shareholders, Please continue to give us your support and advice.

We wish you all  
success and good health.

Chairperson: Biqi Yang

General manager: Xinzheng Li

Accounting officer: Tingyi Chou

## Two. Company Profile

I. Date of Incorporation: March 1st, 1989

II. Company History

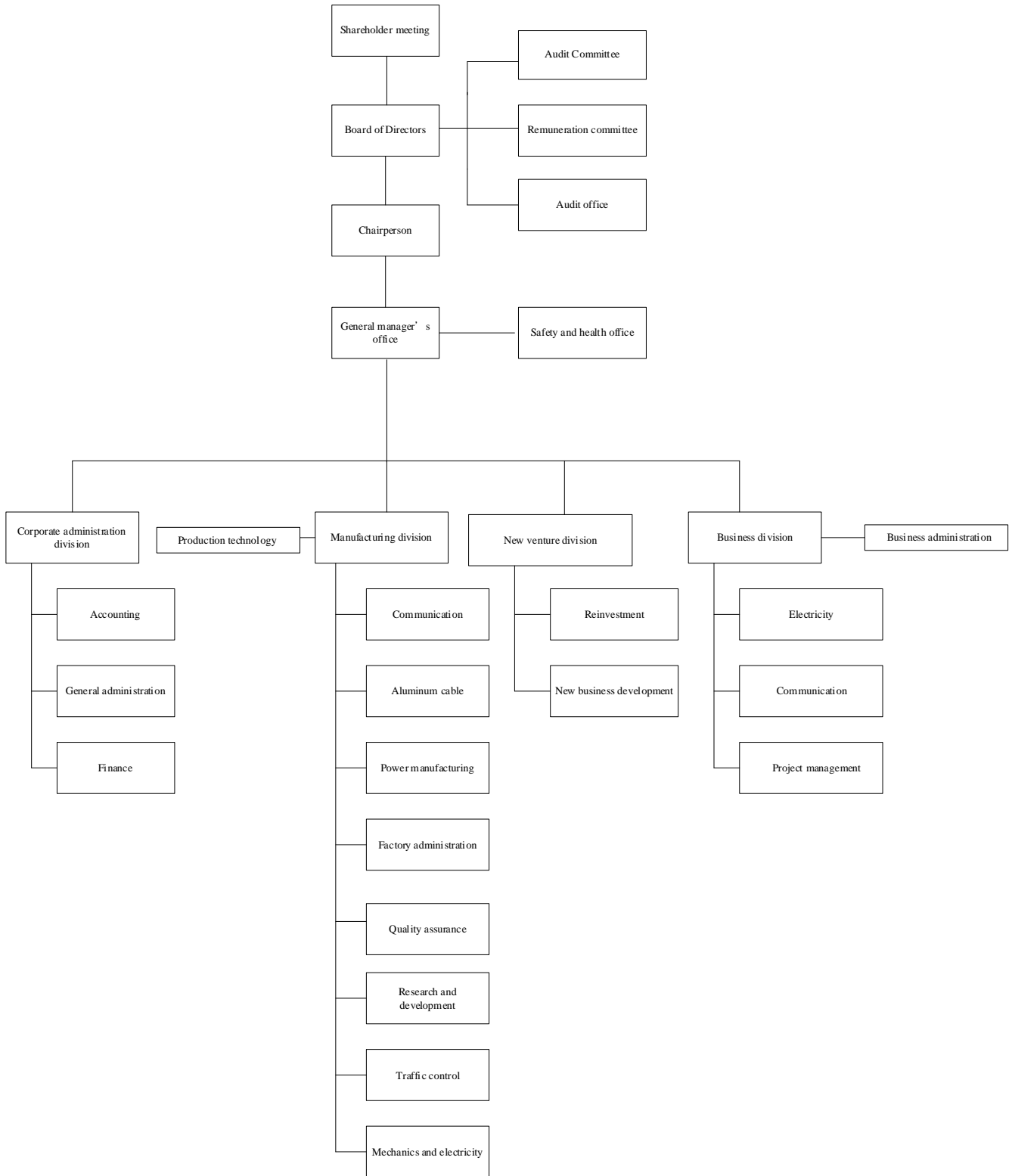
The largest juristic-person shareholders when the Company was founded was YOUNG FAST OPTOELECTRONICS CO., LTD (now renamed SOL YOUNG ENTERPRISES CO., LTD.), and the largest shareholders of SOL YOUNG is a group of like-minded classmates and friends including Kaiti Yang, Yisen Lai, Jinyu Zhou, Suyuan Yu, Wenhao Lin, Yangheng Chen, etc. YOUNG FAST started as a trade company, and its products are mainly groceries, electrical products, wires and cables, etc. After four years of hard work, it has established a stable foreign market. In addition to having its own electrical product production and assembly factory, in 1989, technical personnel from the wire and cable industry were recruited to establish HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD., with Mr. Kaiti Yang as the chairperson. The Company is a professional wire and cable manufacturer that provides indispensable transmission conductors for electricity, communications and various electrical appliances. It belongs to a strategic industry approved by the government and is capital and technology-intensive. Since the establishment of the first factory, the Company has been recruiting and training professional talents, which is the Company's foundation for the stable development, and the Company's consistent objective and business philosophy is to be prudent, thorough, and efficient.

1989	The Company was incorporated with a registered capital of NT\$20 million at the initial stage.
1994	Purchased machinery and equipment, expanded plants and purchased the Taipei office.
1995	In order to add equipment to meet the needs of business development, the Company increased its capital by NT\$53 million in cash. After the capital increase, the capital reached NT\$ 251 million, and the public offering of shares of the Company was approved by the Securities and Futures Bureau, Ministry of Finance.
1996	In August, passed the accreditation registration of ISO-9002 international standard quality assurance by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs.
1997	Completed the installation of high-voltage cable production equipment, and obtained the certification license for 15KV and 25KV high-voltage cables from Taiwan Power Company.
1998	On June 23, 87, the Company's stocks were officially listed on the Taipei Exchange.
1999	Began production of communication cables and bare aluminum wires, etc. in Guanyin no. 2 and no. 3 factories.
2000	On September 1, 2000, the Company's stocks were officially listed on the Taiwan Stock Exchange. Issued the Company's first domestic unsecured convertible bonds for NT\$300 million
2002	Obtained the certification license for 69KV and 161KV high-voltage cables from Taiwan Power Company and passed the accreditation registration of ISO-9001 international standard quality assurance by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs.
2003	Issued the Company's first overseas unsecured convertible bonds for USD 7.5 million.
2004	Increased capital to NT\$1,910,383 thousand by transferring earnings of \$79,457 thousand and capital surplus of \$79,457 thousand, for a total of NT\$158,914 thousand, and converting domestic convertible bonds and overseas convertible bonds to common stock of NT\$300,930 thousand..
2005	Increased capital to NT\$2,082,318 thousand by transferring earnings of \$171,935 thousand.
2006	Increased capital to NT\$2,292,639 thousand by transferring earnings of \$66,776 thousand and converting overseas convertible bonds to common stock of NT\$143,545 thousand..
2007	The localization certification of 345KV XLPE cable in progress.
2008	Continued the localization certification of 345KV XLPE cable localization certification.
2009	In August, obtained the certification license for 345KV XLPE cables from Taiwan Power Company; in November, completed transfer of earnings to capital and increased capital to NT\$2,338,492 thousand; in December, obtained the approval letter issued by the Industrial Development Bureau, Ministry of Economic Affairs, for the five-year tax-free investment plan.
2010	Obtained the certification license for 132KV, 245KV ultra-high voltage cables from KEMA International Institution.
2011	In September, completed transfer of earnings of NT\$70,155 thousand to capital and increased capital to NT\$2,408,647 thousand; in December, obtained the certification of completion issued by the Industrial Development Bureau, Ministry of Economic Affairs, for the five-year tax-free investment plan.
2012	Successfully manufactured and delivered 345KV XLPE cables and the revenues hit a new high since 2007.
2013	Distinguished as an excellent project by Taiwan Power Company for "Gaogang ~ Wuji ~ Kaohsiung 345KV Underground Cable Line Project".
2014	In July, invested in Muchon Organic Farm Co., Ltd. and completed the UL certification of CMP FTP network.
2017	Obtained DQS quality management system certificate.
2019	Obtained ISO14001:2015 and ISO45001:2018 certificates.

### Three. Corporate Governance Report

#### I. Organizational System

##### (1) Organizational Structure





(II) Businesses of Major Departments

Department	Major Responsibilities
Audit office	<ul style="list-style-type: none"> <li>- Establishment of audit system and implementation</li> <li>- Audit of the Company's business, financial and operational situation</li> <li>- Analysis of abnormalities, recommendations for and tracking of improvements</li> </ul>
Corporate administration division	<ul style="list-style-type: none"> <li>- The Company's capital scheduling, financial planning, and risk management</li> <li>- Planning and management of other finance-related operations</li> <li>- The Company's accounting processes</li> <li>- Budget consolidation and preparation and analysis of various management reports</li> <li>- Planning and management of information system related operations</li> <li>- Planning and management of human resource and administration related operations</li> <li>- Investment execution and management</li> <li>- Management of stock affairs</li> <li>- Management of legal affairs</li> </ul>
Business division	<ul style="list-style-type: none"> <li>- Marketing and business development of the Company's products</li> <li>- Execution of sales-related operations</li> <li>- Customer development and credit investigation</li> <li>- Tendering business for public authorities</li> <li>- Foreign markets development</li> <li>- Foreign customer development and credit investigation</li> <li>- Raw materials import related operations</li> <li>- Import and export customs declaration related operations</li> </ul>
New venture division	<ul style="list-style-type: none"> <li>- Development of new business opportunities</li> <li>- Reinvested enterprise operations and management</li> </ul>
Manufacturing division	<ul style="list-style-type: none"> <li>- Production planning and manufacturing of wires and cables</li> <li>- Planning and management of raw material procurement related operations</li> <li>- Product trial production and process improvement</li> <li>- Product manufacturing quality management</li> <li>- Establishment and management of product and production equipment operating standards</li> <li>- Development, validation and testing of new materials</li> <li>- Development of design of new product development; establishment and management of new technical standard</li> <li>- Management and maintenance of production equipment and related facilities</li> </ul>
Safety and health office	<ul style="list-style-type: none"> <li>- Planning and implementation guidance of occupational disaster prevention plan</li> <li>- Supervision and planning of labor safety and health management</li> <li>- Air pollution, water pollution and toxic substance management</li> <li>- Perimeter air pollution detection and preparation of emergency response plan</li> <li>- Other matters of air pollution and toxic chemical management</li> </ul>

II. Information on directors, supervisors, general managers, deputy general managers, senior managers, and officers of various departments and branches

(I) Information on Directors and Supervisors

1. Information on Directors

April 30, 2021

Title	Nationality	Name	Gender	Date elected	Term of office	Date first elected	Shareholding when Elected		Shareholding Now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major educations and experiences	Concurrent positions in the Company and other companies now	Spouse or relatives within second degree of kinship who are officers, directors or supervisors of the Company			Note (2)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relation	
Chairperson	Taiwan	SOL YOUNG ENTERPRISES CO., LTD.	Female	2019.06.24	3 years	1995.06.11	73,817,655	32.20%	77,556,914	32.20%	0	0.00%	0	0.00%	Department of International Trade, Changhua Senior High School of Commerce Chairperson, Dahelong Electromechanical Co., Ltd.	Note 1	Director	Kaiti Yang	Relatives within second degree of kinship	None
		2007.06.15				10,300	0.00%	10,821	0.00%	30,427	0.01%	0	0.00%							
Director	Taiwan	Kaiti Yang	Male	2019.06.24	3 years	1989.03.01	1,588,999	0.69%	1,969,401	0.82%	2,609,196	1.08%	0	0.00%	Department of Chemical Engineering, Chung Yuan Christian University Chairperson, HOLD-KEY ELECTRIC WIRE & CABLE CO. LTD. General Manager, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. Chairperson, SOL YOUNG ENTERPRISES CO., LTD.	Note 1	Chairperson	Biqi Yang	Relatives within second degree of kinship	None
Director	Taiwan	Yisen Lai	Male	2019.06.24	3 years	1989.03.01	1,904,305	0.83%	2,000,662	0.83%	0	0.00%	0	0.00%	Department of Chemical Engineering, Chung Yuan Christian University General Manager, SOL YOUNG ENTERPRISES CO., LTD.	Note 1	None	None	None	None
Director	Taiwan	Suyuan Yu	Female	2019.06.24	3 years	1995.06.11	725,062	0.32%	761,749	0.32%	78,551	0.03%	0	0.00%	General Business Department, Taipei Municipal Shilin High School of Commerce Deputy General Manager, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.,	Note 1	None	None	None	None
Director	Taiwan	Xinzheng Li	Male	2019.06.24	3 years	2007.06.15	1,266	0.00%	1,329	0.00%	642	0.00%	0	0.00%	Department of Electrical Engineering, Chien Hsin University of Science and Technology General Manager, Dahelong Electromechanical Co., Ltd. Plant Manager, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.	Note 1	None	None	None	None
Director	Taiwan	BOND-GALV INDUSTRIAL CO., LTD.	Male	2019.06.24	3 years	2019.06.24	2,912,498	1.21%	2,912,498	1.21%	0	0.00%	0	0.00%	Department of Biology, National Taiwan Normal University BOND-GALV INDUSTRIAL CO., LTD., Chairperson	Note 1	None	None	None	None
		324,163					0.13%	324,163	0.13%	747,638	0.31%	0	0.00%							

Title	Nationality	Name	Gender	Date elected	Term of office	Date first elected	Shareholding when Elected		Shareholding Now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major educations and experiences	Concurrent positions in the Company and other companies now	Spouse or relatives within second degree of kinship who are officers, directors or supervisors of the Company			Note (2)
							Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relation	
Independent directors	Taiwan	Rongsui Weng	Male	2019.06.24	3 years	2016.06.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Economics, College of Social Sciences, National Taiwan University EMBA, College of Management, National Taiwan University Deloitte and Touche CPA and director concurrently	Note 1	None	None	None	None
Independent directors	Taiwan	Wencheng Shen	Male	2019.06.24	3 years	2016.06.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Finance, National Taiwan University Department of Capital Markets, Taiwan Securities Co., Ltd. Deputy general manager General Manager, Taishin Investment Trust	Note 1	None	None	None	None
Independent directors	Taiwan	Shizhen Chen	Male	2019.06.24	3 years	2019.06.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Graduate School of Law, Soochow University Lawyer, Lee and Li, Attorneys-at-Law Arbitrator, Chinese Arbitration Association, Taipei Taipei Branch, Legal Aid Foundation Member, Screening Committee	Note 1	None	None	None	None

Note 1:

Name	Concurrent positions in the Company and other companies now
Biqi Yang	Chairperon, HOLDKEY (BELIZE) INVESTMENTS LIMITED.
Kaiti Yang	Supervisor, Yusheng Asset Development Co., Ltd.
Yisen Lai	Director, SOL YOUNG ENTERPRISES CO., LTD., Director, Fenggen Development Co., Ltd., Director, Zhangmiao Development Co., Ltd., Director, BOND-GALV INDUSTRIAL CO., LTD.
Suyuan Yu	Chairperson, Huan Yi Development Co., Ltd.
Xinzheng Li	General Manager of the Company, Director and General Manager, Taiwan SRU Co., Ltd., Director and General Manager of Mechanics and Electricity Business Group, SOL YOUNG ENTERPRISES CO., LTD., Chairperson, Muchon Farm Co., Ltd.
Yuanhong Huang	Chairperson, BOND-GALV INDUSTRIAL CO., LTD.,
Rongsui Weng	Chairperson, OFUNA DEVELOP TECHNOLOGY CO., LTD., Director, OFUNA PROPERTY MANAGEMENT CO., LTD., Director, OFUNA ENTERPRISE CO., LTD., Chairperson, OFUNA TECHNOLOGY CO., LTD., Chairperson, Shaorui Development Co., Ltd., Remuneration Committee and Audit Committee, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. Independent Director, Audit Committee, and Remuneration Committee, Taiwan Name Plate Co., Ltd. Independent Director, Audit Committee, and Remuneration Committee, HSIN KUANG STEEL CO., LTD.
Wencheng Shen	Audit Committee and Remuneration Committee, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.
Shizhen Chen	Supervisor, ONATION CORPORATION, Lawyer, THRONE, Attorneys-at-Law, Legal Counsel, Chang Gung Medical Foundation industry-academia Cooperation Center, Campus Consumer Protection Committee, Remuneration Committee and Audit Committee, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.,

Note 2: If the chairperson and the general managers or equivalents (the top managerial officers) of the Company are the same person, each other's spouse or relative within first degree of kinship, the reason, rationality, necessity, corresponding measures (such as increasing the number of independent directors and having a majority of directors who are not concurrently serving as employees or managerial officers, etc.) and related information should be described: No such situation.

## 2. Major Juristic-Person Shareholders

Name of juristic-person shareholder	Major juristic-person shareholders
SOL YOUNG ENTERPRISES CO., LTD.	Zhangmiao Development Co., Ltd. (16.14%), Yusheng Asset Development Co., Ltd. (7.92%), BOND-GALV INDUSTRIAL CO., LTD. (7.24%), Shuli Xu (6.19%), HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. (5.60%), Huan Yi Development Co., Ltd. (4.45%), Jianhe Zeng (2.76%), YOUNG SSUH WONG INTERNATIONAL DEVELOPER CO., LTD. (2.53%), Fenggen Development Co., Ltd. (2.05%), Yangheng Chen (1.85%)
BOND-GALV INDUSTRIAL CO., LTD.	SOL YOUNG ENTERPRISES CO., LTD. (34.51%), HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. (11.46%), Zhangmiao Development Co., Ltd. (11.07%), Yusheng Asset Development Co., Ltd. (4.58%), Jianhe Zeng (3.46%), Huan Yi Development Co., Ltd. (3.06%), AUTOTECH AUTOPARTS ENT. CO., LTD. (2.62%), Mingzong Wang (2.28%), Xihao Lin (1.88%), Liangxu Lai (1.86%).

## 3. Where the major shareholders of a juristic-person shareholder are juristic persons, the major shareholders

The name of the juristic-person shareholder	The major shareholders of the juristic-person shareholder
Zhangmiao Development Co., Ltd.	Shufen Xu (94.24%), Weizhi Lai (2.00%), Yanan Lai (1.38%), Yanxin Lai (1.38%), Liangxu Lai (0.50%), Yisen Lai (0.50%)
Yusheng Asset Development Co., Ltd.	Shuli Xu (63.60%), Zhijie Yang (14.00%), Yecheng Yang (13.98%), Kaiti Yang (8.38%), Shujuan Xu (0.02%), Shumei Xu (0.02%)
HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.	SOL YOUNG ENTERPRISES CO., LTD. (32.20%), Zhangmiao Development Co., Ltd. (4.47%), YOUNG FAST OPTOELECTRONICS CO., LTD. (3.15%), Fenggen Development Co., Ltd. (2.17%), Zhijie Yang (1.75%), Yecheng Yang (1.69%), Huan Yi Development Co., Ltd. (1.34%), BOND-GALV INDUSTRIAL CO., LTD. (1.21%), Shuli Xu (1.08%), Bili Lian (1.00%)
Huan Yi Development Co., Ltd.	Suyuan Yu (60.91%), Peizhu Huang (34.05%), Xueqing Huang (5.00%), Sulian Yu (0.02%), Zhongyu Xu (0.02%)
YOUNG SSUH WONG INTERNATIONAL DEVELOPER CO., LTD.	Zhenxiu Yang (47.50%), Xiangyun Yang (28.75%), Ziyang Yang (23.75%)
Fenggen Development Co., Ltd.	Shufen Xu (93.19%), Yan'an Lai (3.06%), Yanxin Lai (3.06%), Weizhi Lai (0.33%), Yisen Lai (0.33%), Liangxu Lai (0.03%)
AUTOTECH AUTOPARTS ENT. CO., LTD.	Qiongren Chen (31.78%), Ji-Yang Investment Co., Ltd. (31.78%)(Note), Jintao Hong (26.80%), Supei Cai (4.92%), Xiaolin Cai (4.72%)

Note: As of the date of publication of the annual report, its major shareholder roster was not available.

4. Information on directors' independence

Name	With more than five years of work experience and the following professional qualifications			Meet the independence criteria (note)												Concurrently employed by other public company Number of Independent directors
	Lecturers or above in public and private colleges and universities in business, legal, financial, accounting or related areas required for the Company's business	Judges, prosecutors, lawyers, accountants or other professional personnel who have passed the national examinations and received certificates required for the Company's business	Work experiences in business, legal, financial, accounting or related areas required for the Company's business	1	2	3	4	5	6	7	8	9	10	11	12	
Chairperson: Biqi Yang (SOL YOUNG ENTERPRISES CO., LTD. Juristic-person representative)	-	-	V	-	-	V	-	-	V	V	-	V	-	V	-	0
Director: Kaiti Yang	-	-	V	-	V	-	-	V	V	V	V	V	-	V	V	0
Director: Yisen Lai	-	-	V	-	-	V	-	-	V	V	-	V	V	V	V	0
Director: Suyuan Yu	-	-	V	-	V	V	V	V	V	V	V	V	V	V	V	0
Director: Xinzheng Li	-	-	V	-	-	V	-	V	V	V	-	V	V	V	V	0
Director: BOND-GALV INDUSTRIAL CO., LTD. (Representative: Yuanhong Huang)	-	-	V	-	-	V	-	-	V	V	V	V	V	V	-	0
Independent director: Rongsui Weng	-	V	V	V	V	V	V	V	V	V	V	V	V	V	V	2
Independent director: Wencheng Shen	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent director: Shizhen Chen	-	V	V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: For each director or supervisor who has met the following criteria for the two years prior to their elections and during their tenure, please mark "V" in the space below each criterion code.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder holding more than 1% of the total number of issued shares or among the top 10 natural-person shareholders in the name of itself, its spouse, minor children or others.
- (4) Not a managerial officer under (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship under (2), (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top 5 in shareholdings, or designating its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) Not a director, supervisor, or employee of other company. If a majority of the Company's director seats or shares with voting rights and those of that other company are controlled by the same person: (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) Not a director, supervisor, or employee of the other company or institution who is or whose spouse is the chairperson, general manager or equivalent positions of the Company. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent and when the specific company or institution holds more than 20% of the Company's total issued shares but not more than 50%.)
- (9) Not a professional, sole proprietor, partner, owner of a company or institution, director, supervisor, managerial officer or its spouse that provides the Company or affiliates with audit services or commercial, legal, financial, accounting or related services with cumulative amount of remuneration in the last two years exceeding NT\$500,000. However, this restriction does not apply to a member of the Remuneration Committee, public tender offer review committee, or special committee for merger and acquisition, who exercises powers of office pursuant to the Securities and Exchange Act, the Business Mergers and Acquisitions Act, or relevant laws or regulations.
- (10) Not a person who has a spouse or relatives of second degree of kinship in other directors.
- (11) Not a person with any of the circumstances under Article 30 of the Company Act.
- (12) Not a person elected in the capacity of the government, a juristic person, or a representative as provided in Article 27 of the Company Act.

## (II) Information on general managers, deputy general managers, senior managers, and officers of various departments and branches

April 30, 2021

Title	Nationality	Name	Gender	Date of assuming office	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Major educations and experiences	Concurrent positions in the Company and other companies	Managerial officers with spouses or relatives with second degree of kinship			Note (Note 2)
					Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %			Title	Name	Relation	
General Manager	Taiwan	Xinzheng Li	Male	2000.04.01	1,329	0.00%	642	0.00%	0	0.00%	Department of Electrical Engineering, Chien Hsin University of Science and Technology General Manager, Dabelong Electromechanical Co., Ltd. Plant Manager, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.	Note 1	None	None	None	None
Audit officer Deputy general manager	Taiwan	Meiling Lin	Female	2016.11.11	25,739	0.01%	0	0.00%	0	0.00%	Department of Accounting and Statistics, Tatung Institute of Commerce and Technology HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.,	None	None	None	None	None
General manager, New venture division	Taiwan	Jianzhong Lu (Retired on 2020.08.12)	Male	1999.06.14	0	0.00%	0	0.00%	0	0.00%	The Metropolian Business College, Sydney Australia Management Manager, GUARDFORCE CORPORATION	None	None	None	None	None
Business division Deputy general manager	Taiwan	Liangxu Lai	Male	1994.08.01	0	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, Chung Yuan Christian University Section manager, SOL YOUNG ENTERPRISES CO., LTD.	Note 1	None	None	None	None
Manufacturing division Deputy general manager	Taiwan	Yinde Zhang	Male	2004.01.01	0	0.00%	0	0.00%	0	0.00%	Department of Electrical Engineering, Taoyuan Agricultural & Industrial School Senior Manager, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.,	None	None	None	None	None
General manager's office Special assistant	Taiwan	Senxiong Wu	Male	2002.10.01	0	0.00%	0	0.00%	0	0.00%	Department of Chemical Engineering, Chung Yuan Christian University Senior Manager, HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.,	None	None	None	None	None
Finance officer (and officer of general administration)	Taiwan	Yaping Chen	Female	2016.05.11	103	0.00%	0	0.00%	0	0.00%	Department of Accounting, Management School, Shih Chien University Specialist, Deloitte and Touche Audit officer, YOUNG FAST INDUSTRIAL CO., LTD	None	None	None	None	None
Accounting officer	Taiwan	Tingyi Chou	Female	2012.04.27	1,030	0.00%	0	0.00%	0	0.00%	Department of Accounting, Soochow University Deputy Manager, Deloitte and Touche	None	None	None	None	None

## Note 1:

Name	Concurrent positions in the Company and other companies
Xinzheng Li	Director and General Manager, Taiwan SRU Co., Ltd, Director and General Manager of Mechanics and Electricity Business Group, SOL YOUNG ENTERPRISES CO., LTD. Muchon Farm Co., Ltd.
Liangxu Lai	Director, Fenggen Development Co., Ltd., Director, Zhangmiao Development Co., Ltd., Chairperson, PLOWLINE CO., LTD., Chairperson, EVEN HAME CO., LTD., Chairperson, Bright wei co., Ltd.

Note 2: If the chairperson and the general managers or equivalents (the top managerial officers) of the Company are the same person, each other's spouse or relative within first degree of kinship, the reason, nationality, necessity, corresponding measures (such as increasing the number of independent directors and having a majority of directors who are not concurrently serving as employees or managerial officers, etc.) and related information should be disclosed: No such situation.

III. Remuneration for directors (including independent directors), general managers and deputy general managers for the most recent year

(I) Remuneration for directors (including independent directors)

Unit: Thousand NT\$

Title	Name	Remuneration for directors								A, B, C and D as a % of the net profits after tax		Remuneration for employees with concurrent positions in the Company and other companies								A, B, C, D, E, F and G as a % of the net profits after tax		Remuneration from reinvested enterprises outside subsidiaries or from the parent company
		Base remuneration (A)		Severance and pension (B)		Remuneration for directors (C)		Business execution expenses (D)				Remuneration, bonus, allowance (E)		Severance and pension (F)		Remuneration for employees (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
		Cash amount	Stock amount	Cash amount	Stock amount																	
Director	SOL YOUNG ENTERPRISES CO., LTD. Representative Biqi Yang	2,036	2,036	0	0	3,600	3,600	0	0	2.33%	2.33%	3,844	3,844	110	110	1,500	0	1,500	0	4.58%	4.58%	None
Director	Kaiti Yang																					
Director	Yisen Lai																					
Director	Suyuan Yu																					
Director	Xinzheng Li																					
Director	BOND-GALV INDUSTRIAL CO., LTD. Representative Yuanhong Huang																					
Independent director	Rongsui Weng	1,834	1,834	0	0	0	0	0	0	0.76%	0.76%	0	0	0	0	0	0	0	0	0.76%	0.76%	None
Independent director	Wencheng Shen																					
Independent director	Shizhen Chen																					
<p>1. Please describe the policy, system, criteria and structure for the remuneration for independent directors, and the correlation to the amount of remuneration in terms of their responsibilities, risks, time spent and other factors: The remuneration for independent directors, in accordance with Article 17 of the Company's Article of Incorporation and the management measures for remuneration, as determined by the Remuneration Committee with reference to the usual standard in the industry and through the resolution of the Board of Directors, shall include monthly fixed remuneration and attendance fee, without participating in the distribution of remuneration for directors.</p> <p>2. Except as disclosed above, the remuneration for the directors of the Company for providing services to all companies in the financial statements (such as serving as a non-employee consultant, etc.) in the most recent year: None.</p>																						

Table of remuneration ranges

Remuneration ranges for the directors of the Company	Director's name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Less than NT\$1,000,000	Kaiti Yang, Yisen Lai, Suyuan Yu Xinzheng Li, Yuanhong Huang, Rongsui Weng Wencheng Shen, Shizhen Chen	Kaiti Yang, Yisen Lai, Suyuan Yu Xinzheng Li, Yuanhong Huang, Rongsui Weng Wencheng Shen, Shizhen Chen	Yuanhong Huang, Rongsui Weng, Wencheng Shen, Shizhen Chen	Yuanhong Huang, Rongsui Weng, Wencheng Shen, Shizhen Chen
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	None	None	Kaiti Yang, Yisen Lai, Suyuan Yu	Kaiti Yang, Yisen Lai, Suyuan Yu
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Biqi Yang	Biqi Yang	Biqi Yang	Biqi Yang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	None	None	Xinzheng Li	Xinzheng Li
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	None	None	None	None
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	None	None	None	None
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	None	None	None	None
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	None	None	None	None
More than NT\$100,000,000	None	None	None	None
Total	9 seats	9 seats	9 seats	9 seats



(II) Remuneration for general managers and deputy general managers and the name of the managerial officer in charge of the distribution of employee remuneration and the status of the distribution

1. Remuneration for general managers and deputy general managers

(Unit: Thousand NT\$)

Title	Name	Salary (A)		Severance and pension (B)		Bonus and Allowance (C)		Amount of employee remuneration (D)				A, B, C and D as a % of the net profits after tax (%)		Remuneration from reinvested enterprises outside subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General manager	Xinzheng Li	6,168	6,168	2,478	2,478	2,725	2,725	2,434	-	2,434	-	5.71%	5.71%	None
Deputy general manager	Meiling Lin													
Deputy general manager	Liangxu Lai													
Deputy general manager	Jianzhong Lu (Retired on 2020.08.12)													
Deputy general manager	Yinde Zhang													

Note 1: The severance and pension for general managers and deputy general managers are included contribution and actual amount by the Company.

Table of remuneration ranges

Remuneration ranges for the general managers and deputy general managers of the Company	Name of general manager or deputy general manager	
	The Company	All companies in the financial statements
Less than NT\$1,000,000	None	None
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Meiling Lin	Meiling Lin
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Liangxu Lai, Yinde Zhang, Jianzhong Lu	Liangxu Lai, Yinde Zhang, Jianzhong Lu
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Xinzheng Li	Xinzheng Li
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	None	None
More than NT\$100,000,000	None	None
Total	5	5

2. The name of the managerial officer in charge of the distribution of employee remuneration and the status of the distribution: The Company's Board of Directors would resolve on May 11, 2021 to set aside cash remuneration NTD 9,000,000 for employees in accordance with the Company's Article of Incorporation and its distribution to managerial officers would be carefully evaluated and resolved by the Remuneration Committee on May 11, 2021.

**The name of the managerial officer in charge of the distribution of employee remuneration and the status of the distribution**

May 11, 2021

Unit: Thousand NT\$

	Title	Name	Stock amount	Cash amount	Total	Total as a % of the net profits after tax (%)
Officer	General manager	Xinzheng Li	0	2,700	2,700	1.12%
	Audit officer (deputy general manager)	Meiling Lin				
	General manager, New venture division	Jianzhong Lu (Retired on 2020.08.12)				
	General manager, Business division	Liangxu Lai				
	General manager, Manufacturing division	Yinde Zhang				
	Special assistant (senior manager), General manager's office	Senxiong Wu				
	Finance officer	Yaping Chen				
	Accounting officer	Tingyi Chou				

- (III) The Company does not need to individually disclose the remuneration for the top five most highly paid officers
- (IV) Compare and describe the total remuneration paid to directors, supervisors, general managers, and deputy general managers in the most recent 2 years by the Company and all companies in the consolidated financial statements as a % of the net profits after tax, and explain the policies, criteria, combination, the procedures for determining remuneration and the correlation to operating performances and future risks.
1. Analysis of the total remuneration paid to the directors, supervisors, general managers and deputy general managers by the Company as a % of the net profits after tax for the most recent 2 years

Title	2020		2019	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
The remuneration for directors as a % of the net profits after tax for the most recent 2 years	5.34%	5.34%	13.42%	13.42%
The remuneration for supervisors as a % of the net profits after tax for the most recent 2 years	Not applicable	Not applicable	0.48%	0.48%
The remuneration for general managers and deputy general managers as a % of the net profits after tax for the most recent 2 years	5.71%	5.71%	15.60%	15.60%

2. The Company's policy, criteria, and combination of the remuneration for directors, supervisors, general managers, and deputy general managers, the procedures for determining remuneration and the correlation to operating performances and future risks.
- (1) In accordance with Article 20 of the Company's Article of Incorporation, if the Company makes profits in a year, it should set aside no more than 2.5% of the profit of that year as remuneration for directors. The amount of such remuneration shall be considered on a case-by-case basis according to individual annual contribution and attendance rate, reviewed by the Remuneration Committee, approved by the resolution of the Board of Directors, and presented to the regular shareholder meeting.
- (2) The Company established a Remuneration Committee on December 30, 2011, and in accordance with the Company's "Management Measures for Remuneration for Directors and Managerial Officers", the Committee shall make a proposal based on annual operating results and individual annual contribution or performance (assessment results), with a view to preventing short-term behavior and promoting the Company's long-term stable development, so as to reasonably widen the remuneration gap and enhance the incentive effect. The content and reasonableness of remuneration for managerial officers are proposed by the Remuneration Committee and approved by the Board of Directors, with reference to the usual standard in the industry.

IV. The Company's implementation of corporate governance

(I) The operations of the Board of Directors

The Board of Directors elected on 2019.06.24 held 6(A) meetings in the most recent year, and the attendance of directors and supervisors is as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	% of attendance in person [ B/A ]	Note
Chairperson	SOL YOUNG ENTERPRISES CO., LTD. Representative: Biqi Yang	6	0	100.00%	
Director	Kaiti Yang	6	0	100.00%	
Director	Yisen Lai	6	0	100.00%	
Director	Suyuan Yu	6	0	100.00%	
Director	Xinzheng Li	6	0	100.00%	
Director	BOND-GALV INDUSTRIAL CO., LTD. Representative: Yuanhong Huang	5	0	83.33%	
Independent director	Rongsui Weng	5	1	83.33%	
Independent director	Wencheng Shen	6	0	100.00%	
Independent director	Shizhen Chen	6	0	100.00%	

Other matters to be recorded:

I. If the operation of the Board of Directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of their opinions should be described:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:

May 25, 2021

Item	Date Term	Proposal content	Independent directors' opinions	The Company's handling of their opinions
1	March 27, 2020 11th term - 5th session	1. Evaluation of the independence and competence of the attesting CPA engaged by the Company and its appointment remuneration.	All independent directors: Passed without objection.	Not applicable
2	May 12, 2020 11th term - 6th session	1. The Company's 2019 remuneration for employees, directors and supervisors 2. The Company's 2019 bonus distribution proposal	All independent directors: Passed without objection.	Not applicable
3	August 11, 2020 11th term - 8th session	1. The replacement of the Company's attesting CPA 2. Authorization for the Company's purchase of the Taipei office	All independent directors: Passed without objection.	Not applicable
4	November 11, 2020 11th term - 9th session	1. The Company's purchase of the Taipei office	All independent directors: Passed without objection.	Not applicable
5	December 21, 2020 11th term - 10th session	1. Amended part of internal control systems and internal audit implementation rules.	All independent directors: Passed without objection.	Not applicable
6	March 22, 2021 11th term - 11th session	1. Evaluation of the independence and competence of the attesting CPA engaged by the Company and its appointment remuneration.	All independent directors: Passed without objection.	Not applicable
7	May 11, 2021 11th term - 12th session	1. The Company's 2020 remuneration for employees, directors and supervisors 2. The Company's 2020 bonus distribution proposal	All independent directors: Passed without objection.	Not applicable

(II) In addition to the previous matters, other board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: No such situation.

II. In the implementation of a director's recusal for being an interested party in a proposal, the director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated.

May 25, 2021

Item	Date Term	Director's name	Proposal content	Recusal reasons	Participation in voting
1	March 27, 2020 11th term - 5th session	Biqi Yang Xinzheng Li Kaiti Yang	The Company invested in SOL YOUNG ENTERPRISES CO., LTD.	Biqi Yang (representative of YOUNG FAST juristic-person supervisors), Xinzheng Li (director of YOUNG FAST), Kaiti Yang (Biqi Yang's relative within second degree of kinship)	Recusal of voting rights in accordance with law
2	May 12, 2020 11th term - 6th session	Biqi Yang Xinzheng Li Kaiti Yang Yisen Lai Suyuan Yu BOND-GALV INDUSTRIAL CO., LTD. (recusal by turn)	The Company's 2019 remuneration for employees, directors and supervisors	Personal interest	Recusal of voting rights in accordance with law
3	May 12, 2020 11th term - 6th session	Biqi Yang Xinzheng Li	The Company's 2019 bonus distribution proposal	Personal interest	Recusal of voting rights in accordance with law
4	May 11, 2021 11th term - 12th session	Biqi Yang Xinzheng Li Kaiti Yang Yisen Lai Suyuan Yu BOND-GALV INDUSTRIAL CO., LTD. (recusal by turn)	The Company's 2020 remuneration for employees, directors and supervisors	Personal interest	Recusal of voting rights in accordance with law
5	May 11, 2021 11th term - 12th session	Biqi Yang Xinzheng Li	The Company's 2020 bonus distribution proposal and adjustment for general manager's monthly salary	Personal interest	Recusal of voting rights in accordance with law

### III. Evaluation of the Board of Directors

Evaluation frequency	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	2020/1/1 ~ 2020/12/31	1. The operations of the Board of Directors/functional committees 2. Performance evaluation of individual board members and functional committee members	Internal self-evaluation of the board, self-evaluation of directors, internal self-evaluation of functional committees, self-evaluation of functional committee members	As the table below

### 2020

#### Summary report of the performance evaluation of the Board of Directors and functional committees

On December 21, 2020, the Company's Board of Directors approved the establishment, the latest amended "Measures for the Performance Evaluation of the Board of Directors", which stipulates that the board should conduct performance evaluations of itself, its members and the functional committees (remuneration, audit) at least once a year, and their internal evaluations should be completed before the end of the first quarter of the following year.

I. The performance evaluation of the Company's Board of Directors includes the following five major areas.

- (I) The extent of participation in the Company's operations.
- (II) Improvement in the quality of the board's decision-making.
- (III) Composition and structure of the board.

(IV) Election and continuing education of directors.

(V) Internal control

II. The (self) performance evaluation of the members of the Board of Directors includes the following six major areas.

(I) Mastery of the Company's objectives and tasks.

(II) Perception of directors' responsibilities.

(III) The extent of participation in the Company's operations.

(IV) Internal relationship management and communication.

(V) Professionalism and continuing education of directors.

(VI) Internal control

III. The performance evaluation of functional committees (remuneration, audit) includes the following five major areas.

(I) The extent of participation in the Company's operations.

(II) Perception of functional committees' responsibilities.

(III) Improvement in the quality of the functional committee's decision-making.

(IV) Composition and member appointment of functional committees.

(V) Internal control

The annual evaluation is carried out by the agenda planning unit - the General Administration department as designated by the Board of Directors by means of an internal questionnaire, based on the operational evaluation of the board, self-evaluation of board members, operational evaluation of functional committees and self-evaluation of committee members. The results of the above evaluations will be used as the reference for nomination and determination of individual salary and remuneration.

All the questionnaires for 2020 have been collected before the end of February, 2021. The Company's General Administration department will analyze the questionnaires according to the previous method and report the evaluation results to the board meeting to be held on March 22, 2021.

The evaluation score for the questionnaire is 1~5 (grades) from low to high. The average score should be good. The directors and committee members had no specific recommendations and generally agreed that the members had been doing their part. The company's overall risk management, financial and business situations are fully discussed and professional advice is provided for reference in decision making, and the decision making process is open and transparent with good operation.

IV. Evaluation of the objective for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and its implementation in the current year and the most recent year:

(I) The Company established the Remuneration Committee at the end of 2011 to improve the reasonableness of the remuneration plan for directors, supervisors and managerial officers, and regularly evaluate whether the remuneration plan is up to date.

(II) Maintain transparency in operations, treat shareholders equally, and disclose information on important Board of Directors' resolutions on the Company's website.

(III) The Company established the Audit Committee to replace the supervisors on June 24, 2019, which would exercise its powers of office in accordance with the Audit Committee's Charter, and enhance the functions of the Board of Directors.

(II) The operations of the Audit Committee

The Audit Committee established on 2019.06.24 held 5 meetings (A) in the most recent year, and the attendance of independent directors is as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	% of attendance in person [ B/A ]	Note
Independent director (Convener)	Rongsui Weng	4	1	80.00%	
Independent director	Wencheng Shen	5	0	100.00%	
Independent director	Shizhen Chen	5	0	100.00%	

Other matters to be recorded:

I. If the operation of the Audit Committee is under any of the following circumstances, the date, period, proposal content, resolution of the Audit Committee and the Company's handling of the Audit Committee's opinions should be described:

(I) The state of the operations and matters listed in Article 14-5 of the Securities and Exchange Act:

May 25, 2021

Item	Date Term	Proposal content	Audit Committee's opinions	the Company's handling of the Audit Committee's opinions
1	March 27, 2020 1th term - 4th session	1. 2019 business report, stand-alone financial statements and consolidated financial statements 2. Evaluation of the independence and competence of the attesting CPA engaged by the Company and its appointment remuneration. 3. The Company completed the assessment of the effectiveness of its internal control systems and issued the "Statement of Internal Control System" in 2019.	All attending members: Passed without objection.	Not applicable
2	May 12, 2020 1th term - 5th session	1. The Company's consolidated financial statements for the first quarter of 2020.	All attending members: Passed without objection.	Not applicable
3	August 11, 2020 1th term - 6th session	1. The replacement of the Company's attesting CPA 2. The Company's consolidated financial statements for the first half of 2020. 3. Authorization for the Company's purchase of the Taipei office	All attending members: Passed without objection.	Not applicable
4	November 11, 2020 1th term - 7th session	1. The Company's purchase of the Taipei office	All attending members: Passed without objection.	Not applicable
5	December 21, 2020 1th term - 8th session	1. The Company's 2021 audit plan 2. Amended part of internal control systems and internal audit implementation rules.	All attending members: Passed without objection.	Not applicable
6	March 22, 2021 1th term - 9th session	1. 2020 business report, stand-alone financial statements and consolidated financial statements 2. Evaluation of the independence and competence of the attesting CPA engaged by the Company and its appointment remuneration. 3. The Company completed the assessment of the effectiveness of its internal control systems and issued the "Internal Control Systems Statement" in 2020.	All attending members: Passed without objection.	Not applicable

(II) In addition to the previous matters, other matters that have not been approved by the Audit Committee but approved by more than two-thirds of all directors: None.

II. In the implementation of an independent director's recusal for being an interested party in a proposal, the independent director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated: No such situation.

III. Communication between independent directors, internal audit officer and CPA (major matters, methods and results of communication on the Company's financial and business conditions, etc. should be included):

(I) Summary of previous communications between independent directors, internal audit officer and CPA.

Date	Communication highlight	Independent director's recommendation
2020/3/27	1. CPA provided a description of the financial and profit and loss status for 2019. 2. CPA discussed and communicated with the attendees on the issues raised by the attendees.	No recommendation
2020/5/12	1. CPA provided a description of the financial and profit and loss status for the first quarter of 2020. 2. CPA discussed and communicated with the attendees on the issues raised by the attendees.	No recommendation
2020/8/11	1. CPA provided a description of the financial and profit and loss status for the first half of 2020. 2. CPA discussed and communicated with the attendees on the issues raised by the attendees.	No recommendation
2020/11/11	1. CPA provided a description of the financial and profit and loss status for the third quarter of 2020. 2. CPA discussed and communicated with the attendees on the issues raised by the attendees.	No recommendation
2020/12/21	1. CPA provided a description of the key annual audit items. 2. CPA discussed and communicated with the attendees on the issues raised by the attendees.	No recommendation
2021/3/22	1. CPA provided a description of the financial and profit and loss status for 2020. 2. CPA discussed and communicated with the attendees on the issues raised by the attendees.	No recommendation
2021/5/11	1. CPA provided a description of the financial and profit and loss status for the first quarter of 2021. 2. CPA discussed and communicated with the attendees on the issues raised by the attendees.	No recommendation

(II) Summary of previous communications between independent directors and internal audit officer:

Date	Communication highlight	Independent director's recommendation
2020/3/27	1. Executive report on audit operations for the fourth quarter of 2019. 2. Report on the implementation of the self-evaluation of the internal control systems by each department of the Company for the various operations in 2019.	No recommendation
2020/5/12	1. Executive report on audit operations for the first quarter of 2020.	No recommendation
2020/8/11	1. Executive report on audit operations for the second quarter of 2020.	No recommendation
2020/11/11	1. Executive report on audit operations for the third quarter of 2020.	No recommendation
2020/12/21	1. Proposal for 2021 audit plan 2. Amended part of internal control systems and internal audit implementation rules.	No recommendation
2021/3/22	1. Executive report on audit operations for the fourth quarter of 2020. 2. Report on the implementation of the self-evaluation of the internal control systems by each department of the Company for the various operations in 2020.	No recommendation
2021/5/11	1. Executive report on audit operations for the first quarter of 2021.	No recommendation

(3) Audit Committee's powers of office and annual work priorities

1. Formulate or amend the internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control systems.
3. In accordance with the provisions of Article 36-1 of the Securities and Exchange Act, formulate or amend the processing procedures for the acquisition or disposal of assets, derivative transactions, lending funds to others, endorsements or guarantees for others.
4. Matters involving the interests of directors
5. Major asset or derivative transactions.
6. Major funds lending, endorsements or guarantees
7. Raising, issuing or private placement of equity securities.
8. The appointment, discharge, or remuneration for the attesting CPA.
9. Appointment and dismissal of financial, accounting or internal audit officer
10. The annual financial statements signed or sealed by the chairperson of the board, managerial officers and accounting officer, and the second quarter financial statements subject to accounting audit and attestation.
11. Other major matters specified by the Company or the competent authority.

(III) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.

Evaluation Items	The state of operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary description	
I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has formulated a set of corporate governance practice principles and disclosed it on the home page of the Company website/Investor Relations/Corporate Governance/Practice Principles for Corporate Governance.	There is no difference from the spirit of the principles.
II. The Company's equity structure and shareholder equity				
(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures?	✓		(I) The Company has set up spokespersons and relevant units for stock affairs as a channel for shareholder recommendations and communication.	There is no difference from the spirit of the principles.
(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	✓		(II) The Company keeps track of the list in a timely manner and interacts with its major shareholders for good relationships.	
(III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?	✓		(III) The finance and business matters of the Company and its affiliates are conducted independently and the Company's "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" have been formulated.	
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	✓		(IV) The Company has established "Operating Procedures for Handling Material Inside Information and Preventing Insider Trading" in accordance with relevant laws and regulations.	
III. Composition and responsibilities of the Board of Directors				
(I) Has the Board of Directors formulated and implemented a diversity policy on membership?	✓		(I) Specific management objectives and achievements of the diversity policy on membership: The Company has established a diversity policy on membership in the "Corporate Governance Practice Principles" and the "Procedure for Election of Directors and Supervisors". Currently, the Company's board directors are independent of gender, religion, age, etc., and each has expertise in business, accounting, or finance, etc. The Company's Board of Directors is composed of directors with industry experience, accounting, and legal expertise, including CPA and lawyers with professional licenses, and female directors in order to implement the Gender Equality Policy Guidelines of our country, increase female participation in decision-making and improve the board structure. A total of 9 board members: 1. There are three independent directors, representing 33% of all directors; 2. Two independent directors have a term of less than 5 years, and one has a term of less than 2 year. 3. Board directors are professionally diversified, including one independent director with CPA and another independent director with lawyer certification. 4. Female directors represent 22%; 5. The board members are generally young, below 50: 1, 51~59: 2, 60~69: 5, above 70: 1	There is no difference from the spirit of the principles.



Evaluation Items	The state of operations		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.																																																																												
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(II) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees?		✓	(II) In addition to the Remuneration committee and the Audit Committee established in accordance with law, the Company has not established any other functional committees considering the scale of operations. At present, the relevant operations are taken care of by various responsible departments according to their powers of office, and these other functional committees can be established in the future based on business needs.																																																																													
(III) Whether the Company has formulated board performance evaluation measures and methods, conducts performance evaluations annually and regularly, and reports the results of performance evaluations to the Board of Directors, and uses them as a reference for individual directors' remuneration and nomination for reappointment?	✓		(III) Please refer to page 16-17 of this report for the implementation of the board evaluation; or refer to the Company's website: Investor Relation/Related Information of the Board of Directors; the relevant assessment results will be one of the references for director nomination and remuneration in the future.																																																																													
(IV) Does the Company regularly evaluate the independence of the attesting CPA?	✓		(IV) The Company has the evaluation of the independence of the attesting CPA approved by the board meeting on March 22, 2021.																																																																													
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Evaluation Items	The state of operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary description	
			<p>7. Is the attesting CPA related to any of the Company's directors, managerial officers or persons with significant influence on the audit?</p> <p>8. Did the management ask the attesting CPA to accept improper choices in accounting policies or improper disclosures in the financial statements?</p> <p>9. Is there any pressure on the attesting CPA to improperly reduce the audit work that should be performed?</p> <p>10. Has the attesting CPA provided audit services to the Company for seven consecutive years?</p>	
IV. Does the Company have suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)?	✓		<p>Within the time limit prescribed by the regulations, on May 11, 2021, the Board of Directors resolved to appoint the Finance Officer to concurrently serve as the Corporate Governance officer effectively from June 1, 2021. The Finance Officer met the qualifications stipulated in Article 23 of the "Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers" and is responsible for matters related to corporate governance and strengthening the functions of the Board of Directors.</p>	There is no difference from the spirit of the principles.
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	✓		<p>The Company has dedicated departments for direct communication with stakeholders, and has set up a special section for stakeholders on the Company website. Currently, an investor relations contact window and a spokesperson or acting spokesperson contact channel has been set up or announced on the Company's website and the Market Observation Post System to facilitate communication and response.</p>	There is no difference from the spirit of the principles.
VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholder meetings?	✓		<p>The professional stock affairs agency appointed by the Company is the Concord Securities Group, Stock Affairs</p>	There is no difference from the spirit of the principles.
VII. Information Disclosure (I) Has the Company set up a website to disclose finance and business matters and corporate governance information? (II) Has the Company adopted other means of	✓ ✓		<p>(I) The Company simultaneously discloses finance and business matters and corporate governance information on the Market Observation Post System and the Company website.</p> <p>(II) The Company has dedicated personnel responsible for the collection and disclosure of information and has implemented a spokesperson system.</p>	There is no difference from the spirit of the principles.

Evaluation Items	The state of operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
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<p>information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?</p> <p>(III) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?</p>		✓	<p>(III) The Company publicly announces and files its annual financial statements before the deadline (end of March) prescribed by the competent authority. The financial statements for the first, second, and third quarters and the monthly operating status of 2020 were also announced and filed at the Market Observation Post System before the prescribed deadline.</p>	
<p>VIII. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, Implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?</p>	✓		<p>(1) Employee rights and employee relations: The Company has always regarded employees as its greatest asset and attached particular importance to the rights and benefits of employees. In addition to complying with government regulations for labor insurance, health insurance, and staff health checkups, the Company also provides employees with various skills training opportunities for talents building. The Employee Welfare Committee has been set up to coordinate the various employee welfare affairs, including subsidies for annual dinner, travel, birthday, wedding and funeral, etc. Regular labor-management meetings are held to establish a communication platform with corporate union representatives.</p> <p>(2) Supplier relations: Base on the relationship of co-existence and co-prosperity, the Company provides suppliers with the profits they deserve, creating a win-win situation.</p> <p>(3) Stakeholder rights: The Company holds stakeholder rights in high regard, and when stakeholders want to inquire and transcribe the Company's registration information, they can do so by following the provisions of the relevant laws and regulations.</p> <p>(4) Continuing education of directors and supervisors: The directors and supervisors of the Company, as required by law, all attend relevant training courses organized by the institutions certified by the competent authority regularly every year, and complete the filing process.</p> <p>(5) Implementation of risk management policies and risk measurement standards: The Company's internal control and risk management systems and various management rules and regulations must be approved by the Board of Directors one by one. The active side is to avoid risky business investment, and the passive side has various insurance policies to cover the possible loss of the Company's property and employee liability.</p> <p>(6) The Company's purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for its directors, supervisors and management.</p>	<p>There is no difference from the spirit of the principles.</p>

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<p><b>IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved:</b></p> <p><b>Improved:</b></p> <table border="1"> <thead> <tr> <th>Question no.</th> <th>Indicator</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>1.2</td> <td>Does the Company record the results of shareholders' approvals, disapprovals, and abstentions of each proposal in the minutes, and enter the results into the designated Internet information reporting system on the day of the regular shareholder meeting?</td> <td>The results of shareholders' approvals, disapprovals, and abstentions of each proposal have been entered into the designated Internet information reporting system on the day of the shareholder meeting.</td> </tr> <tr> <td>2.2</td> <td>Has the Company formulated a diversity policy on board membership, and disclosed its specific management objectives and implementation on the Company's website and annual report?</td> <td>A diversity policy on board membership has been formulated, and its specific management objectives and implementation disclosed on the Company's website and annual report?</td> </tr> </tbody> </table>					Question no.	Indicator	Description	1.2	Does the Company record the results of shareholders' approvals, disapprovals, and abstentions of each proposal in the minutes, and enter the results into the designated Internet information reporting system on the day of the regular shareholder meeting?	The results of shareholders' approvals, disapprovals, and abstentions of each proposal have been entered into the designated Internet information reporting system on the day of the shareholder meeting.	2.2	Has the Company formulated a diversity policy on board membership, and disclosed its specific management objectives and implementation on the Company's website and annual report?	A diversity policy on board membership has been formulated, and its specific management objectives and implementation disclosed on the Company's website and annual report?																																				
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Evaluation Items	The state of operations		Summary description	The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No		
2.11			Does the Company disclose in its annual report the discussion and resolution of the Remuneration Committee, as well as the Company's handling of the opinions of its members?	They have been fully disclosed in annual report.
3.11			Are the Company's future R&D plans and the estimated expenses disclosed in its annual report?	The information is disclosed in the annual report.
<p><b>Priorities and measures:</b></p> <ol style="list-style-type: none"> <li>1. Upload the English version of the meeting handbook and supplementary materials 30 days before the regular shareholder meeting.</li> <li>2. Upload the English version of the annual report 7 days before the regular shareholder meeting.</li> <li>3. Appoint a corporate governance officer to be responsible for corporate governance related matters, and describe the scope of its powers of office, the priorities for the current year and the state of continuing education on the Company's website and annual report.</li> <li>4. Upload the annual financial statements in English 7 days before the regular shareholder meeting.</li> <li>5. The Company disclosed its annual greenhouse gas emissions, water consumption and total weight of waste for the past two years.</li> </ol>				
<p>Note: The state of operations, no matter if "Yes" or "No" are checked, should be stated in summary description.</p>				

(IV) If the Company has a remuneration committee, it should disclose its composition, responsibilities and operations:

1. The Company's Remuneration Committee was established on December 30, 2011. Its members are as follows:

Position (Note 1)	Name	Criteria	With more than 5 years of work experience and the following professional qualifications			Meet the independence criteria (note 2)										Number of other public companies in which the individual is concurrently serving as a remuneration committee member	Note
			Lecturers or above in public and private colleges and universities in business, legal, financial, accounting or related areas required for the Company's business	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examinations and received certificates required for the Company's business	Work experiences in business, legal, financial, accounting or related areas required for the Company's business	1	2	3	4	5	6	7	8	9	10		
Independent director	Wencheng Shen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent director	Rongsui Weng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent director	Shizhen Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Please enter either director, independent director or other for position.

Note 2: For each member who has met the following criteria for the two years prior to their appointments and during their tenure, please mark "✓" in the space below each criterion code.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder holding more than 1% of the total number of issued shares or among the top 10 natural-person shareholders in the name of itself, its spouses, minor children or others.
- (4) Not a managerial officer under (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship under (2), (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top five in shareholdings, or designating its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) Not a director, supervisor, or employee of other company. If a majority of the Company's director seats or shares with voting rights and those of that other company are controlled by the same person: (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) Not a director, supervisor, or employee of the other company or institution who is or whose spouse is the chairperson, general manager or equivalent positions of the Company. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent and when the specific company or institution holds more than 20% of the Company's total issued shares but not more than 50%.)
- (9) Not a professional, sole proprietor, partner, owner of a company or institution, director, supervisor, managerial officer or its spouse that provides the Company or affiliates with audit services or commercial, legal, financial, accounting or related services with cumulative amount of remuneration in the last two years exceeding NT\$500,000. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger and acquisition, who exercises powers of office pursuant to the Securities and Exchange Act, the Business Mergers and Acquisitions Act, or relevant laws or regulations.
- (10) Not a person with any of the circumstances under Article 30 of the Company Act.

2. Responsibilities of the Remuneration Committee: The Committee should faithfully perform the following duties with the attention of a good managerial officer and submit its recommendations to the Board of Directors for discussion. However, proposals regarding the remuneration for supervisors shall be submitted to the Board of Directors for discussion only to the extent that the Board of Directors is authorized expressly by the Company's Article of Incorporation or by a resolution of the shareholder meeting to deal with remuneration for supervisors:
- (1) Review this rule regularly and propose amendments.
  - (2) Formulate and regularly review policies, systems, standards and structures for annual and long-term performance objectives and remuneration for directors, supervisors and managerial officers of the Company.
  - (3) Regularly evaluate the achievement of the performance objectives of the Company's directors, supervisors and managerial officers, and determine the content and amount of their individual remuneration.

When performing the duties of the preceding paragraph, the committee should follow the following principles:

- (1) Ensure that the Company's remuneration packages comply with relevant laws and regulations and are sufficient to attract talents.
- (2) The performance evaluation and remuneration for directors, supervisors and managerial officers should be based on the usual standard in the industry, with consideration of the time spent by the individual, its responsibilities, achievement of personal objectives, and performance in other positions, as well as the Company's remuneration for others in the same position; and the reasonableness of the correlation between their performance, the Company's operating performance and future risks shall be evaluated in light of the achievement of the Company's short-term and long-term business objectives and the Company's financial status.
- (3) Directors and managerial officers should not be encouraged to engage in activities that exceeds the Company's risk tolerance in pursuit of remuneration.
- (4) The percentage of bonuses for short-term performance and the payment time of part of variable remuneration for directors and senior managerial officers should be determined by considering the characteristics of the industry and the nature of the Company's business.
- (5) Members of this committee must not participate in discussion and voting on their own remuneration decisions.

If the remuneration for directors and managerial officers of a subsidiary of the Company must be approved by the Company's Board of Directors according to the approval hierarchy of the subsidiary, the committee shall make recommendations before submitting it to the board for discussion.

3. Information on the operations of the Remuneration Committee

- (1) There are 3 members in the Company's Remuneration Committee.
- (2) The term of office of the current members: June 24, 2019 to June 23, 2022, with 3 meetings in the most recent year of 2020.
  - (A). The qualifications and attendance of the members are as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	% of attendance in person (B / A)	Note
Convener	Wencheng Shen	3	-	100.00%	
Member	Rongsui Weng	2	1	66.67%	
Member	Shizhen Chen	3	-	100.00%	

Other matters to be recorded:

- I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, period, proposal content, resolution of the board, and its handling of the committee's opinions (if the remuneration approved by the board is better than the recommendation proposed by the committee, the difference and reasons should be stated): No such situation.
- II. For the proposals by the Remuneration Committee. If any members have objections or reservations with records or written statements, the date, period, proposal content, the opinions of all members, its handling of the members' opinions should be stated.

May 25, 2021

Item	Date Term	Proposal content	Audit Committee's opinions	The Company's handling of the Audit Committee's opinions
1	May 12, 2020 4th term - 3rd session	<ol style="list-style-type: none"> <li>1. The Company's 2019 remuneration for directors and supervisors</li> <li>2. Amended the Company's principles of performance-based remuneration.</li> <li>3. The proposed amount for managerial officers in the 2019 remuneration and bonus to employees</li> </ol>	All attending members: Passed without objection.	Submitted to the Board of Directors and approved by the resolution of all the attending directors.
2	August 11, 2020 4th term - 4th session	Application for retirement by the Company's internal personnel.	All attending members: Passed without objection.	Submitted to the Board of Directors and approved by the resolution of all the attending directors.
3	December 21, 2020 4th term - 5th session	Amended the "Self-Assessment Questionnaire for the Performance Evaluation of the Board of Directors", the "Self-Assessment Questionnaire for the Performance Evaluation of Board Members" and the "Self-Assessment Questionnaire for the Performance Evaluation of Functional Committee".	All attending members: Passed without objection.	Submitted to the Board of Directors and approved by the resolution of all the attending directors.
4	May 11, 2021 4th term - 6th session	<ol style="list-style-type: none"> <li>1. The Company's 2020 remuneration for directors</li> <li>2. Amended the Company's principles of performance-based remuneration.</li> <li>3. The proposed amount for managerial officers in the 2020 remuneration and bonus to employees.</li> <li>4. Adjustment for general manager's monthly salary</li> </ol>	All attending members: Passed without objection.	Submitted to the Board of Directors and approved by the resolution of all the attending directors.



(V)The fulfillment of social responsibilities and the differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor:

Evaluation Items	The state of operations			The differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
I. Does the Company conduct risk evaluations on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		✓	The Company has obtained ISO 9001 quality management systems, ISO 14001 environmental management systems, and ISO 45001 occupational safety and health management systems certification. The Company also attaches great importance to information security and the protection of confidential data, and is equipped with firewalls, anti-virus software, data backup, file encryption and other protective measures to avoid malicious attacks and extortion by hackers in order to maintain the stable operation of the operating system.	Although the Company has not formulated specific risk management policies or set up a related full-time (part-time) unit, the Company's business philosophy is not only to pursue sustainable operation and profitability, but also to pay attention to the development of corporate governance and also to environmental and social factors, which are reflected in the Company's management and operation, so there is no major difference from the spirit of the principles.
II. Has the Company set up a full-time (part-time) unit to promote corporate social responsibility, together with senior management authorized by the Board of Directors to handle related matters and report to the board on the handling of the matters?		✓	The Company has not set up such a full-time (part-time) unit for corporate social responsibility.	
III. Environmental Issues				The Company has implemented the regulations of the competent authority, so there is no major difference from the spirit of the principles.
(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	✓		(I) The Company has obtained ISO 14001 environmental management systems certification in June 2019, and the safety and health office is responsible for the management of related affairs.	
(II) Is the Company committed to improving the efficiency of resource utilization and using recycled materials with low impact on the environment?	✓		(II) During factory reorganization, the Company fully replaced lighting fixtures with energy-saving LED, implemented resource recycling and classification, and reused packaging materials and pallets after categorization, so as to minimize the damage to the environment and ecology.	
(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?	✓		(III) The Company is concerned about energy and other related issues, regularly reviews the results of saving in water, electricity and other energy consumption costs, and advocates energy saving and carbon reduction so as to mitigate the impact on the natural environment.	
(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	✓		(IV) (iv). The Company has established the management procedures for air pollution/sewage/waste in accordance with ISO 14001 environmental management systems, and from time to time, appoints a trusted third party to issue the operating environment monitoring report of the 4th type on dust, noise, and comprehensive temperature thermal index .	
IV. Social Issues				There is no difference from the spirit of the principles.
(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	✓		(I) The Company abides by all labor laws and regulations, which are implemented and managed by dedicated personnel to protect the rights and interests of employees, and has smooth labor-management communication channels to reasonably meet the needs of employees in order to achieve a win-win situation for both employees and management.	
(II) Whether the Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration?	✓		(II) In accordance with the Labor Standards Act and related laws and regulations, the Company has established various salary and welfare measures for employees, makes provisions for employee benefits in accordance with the Company's Article of Incorporation, rewards employees for their performance in a timely manner, and has set up a "Supervisory Committee of Labor Retirement Reserve" to make regular contributions to the Bank of Taiwan's pension fund account and for employees under the	

Evaluation Items	The state of operations			The differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
(III) Does the Company provide employees with a safe and healthy working environment, and related education?	✓		new scheme, the Bureau of Labor Insurance's individual pension fund account to protect their retirement rights.  (III) The Company performs regular working environment safety inspections to provide employees with a safe and healthy working environment. The relevant regulations are as follows.	
(IV) Has the Company established an effective career development training program for employees?	✓		(IV) In addition to the various internal and external training programs offered by the Company from time to time, employees may request to participate in training courses according to their work requirements.	
(V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant customer rights protection policies and complaint procedures?	✓		(V) The Company is an ISO-9001 certified manufacturer, has detailed product introductions and follows the relevant laws and regulations and international standards of the products. In addition, a stakeholder section is available on the Company's website to provide a channel for customers to ask questions and file complaints for consumer rights protection.	
(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation?	✓		(VI) The Company's procurement management procedures clearly emphasize the importance of occupational safety and health and the sustainable green concept of the cooperative suppliers, and each quarter whether the suppliers violate the relevant regulations are validated and evaluated and are reported to the management representatives.	
V. Does the Company make reference to international reporting standards or guidelines to prepare corporate social responsibility or other reports that disclose non-financial information about the Company? Has the assurance or opinion from third-party certifying institutions been obtained for the reports of the preceding paragraph?		✓	The Company has formulated a "Corporate Social Responsibility Practice Principles" with reference to relevant standards, but considering the scale of operation, no corporate social responsibility report has been prepared.	Under evaluation
VI. If the Company has related practice principles of its own in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation: no difference.				
VII. Other important information that is helpful to understand the implementation of corporate social responsibility: 1. The Company uses FSC certified environmentally friendly paper for the cover and interior text of all annual reports and meeting handbooks and is in compliance with the Forest Stewardship Council certification. 2. The Company participated in the "Voluntary Green Power Price System Pilot Program of the Ministry of Economic Affairs" and purchased 100,000 kWh of green power in 2015.				
Note 1: If "Yes" is checked for the state of the operations, please describe the important policies, strategies, and measures adopted and their implementation; if "No" is checked, please explain the reasons and the relevant policies, strategies and implementation in the future. Note 2: Where the Company has prepared a corporate social responsibility report, the state of the operations may be specified by way of a reference to the corporate social responsibility report and the index page. Note 3: The materiality principle applies to those environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.				

#### Working environment and personal safety protection measures:

In order to maintain the safety and health of all employees and to improve the comfort and quality of the working environment, the Company follows the relevant laws and regulations on occupational safety and health, as a precautionary measure formulates occupational safety and health management rules and regulations, and implements various safety and health plans; all employees participate in safety and health activities in order to achieve the objective of zero occupational hazards.

In accordance with the "Occupational Safety and Health Management Regulations", occupational safety and health management units and personnel are put in place to draw up, plan and promote safety and health management. The employer or its proxy is responsible for the overall management and the management at all levels in the business divisions in accordance with their powers of office direct and supervise the implementation of their subordinates; the responsibilities at each level are clear, and all safety and health regulations are indeed enforced.

The protective facilities installed in the workplace or for machinery and equipment, etc. should be checked frequently and their functionality should be maintained. Such as: guard fence, guard rail, guard cover, emergency stop switch, interlocking device, etc. All kinds of machinery, equipment, or apparatus, are subject to operation checkup, regular maintenance and inspection to ensure the safety of use by personnel. Automatic inspection is implemented. When abnormalities are found, they should be repaired or disabled immediately and necessary precautionary measures should be taken. For the safe use of production equipment in the factory, the following safety rules must be observed.

- ◆ Work safety rules for wire drawing machine:
  - I. Checks before activating the machine:
    - 1. Whether the function of the emergency braking is normal.
    - 2. Whether the function of the automatic shutdown device for wire discontinuation is normal.
    - 3. Whether the instruments on the control panel are normal.
    - 4. Whether the supply of wire-drawing lubricant, boiling and cooling water is sufficient.
  - II. Notes when activating the machine.
    - 1. The die is securely fixed on the die base.
    - 2. The cover is securely closed.
  - III. Notes when shutting down the machine.
    - 1. When shutting down the machine, the cover can only be opened when the machine is completely stopped without wire-drawing lubricant spraying.
    - 2. The take-up shaft can be unloaded only after it is stopped.
    - 3. When replacing the iron shaft, pay attention to the rolling prevention measures to avoid pressure injury.
- ◆ Work safety rules for wire stranding machine:
  - I. Checks before activating the machine:
    - 1. Whether the function of the emergency braking is normal.
    - 2. Whether the function of the automatic shutdown device for wire discontinuation is normal.
    - 3. Whether the instruments on the control panel are normal.
    - 4. Whether the take-up and pay-off shafts are deformed and locked.
  - II. The cover must be securely closed before turning on the switch.
  - III. When shutting down the machine, in addition to turning off the power, the cover can only be activated after the bow arm is completely stopped.
- ◆ Work safety rules for extrusion machine.
  - I. Is the display instrument of each function on the control panel of the host machine normal?
  - II. Whether the pay-off shaft and take-up shaft are locked securely.
  - III. Whether the supply of cooling water and compressed air is sufficient.
  - IV. Whether the function of the electrical discharge machine is normal.
  - V. Pay attention to the high temperature of PVC when testing molds and changing materials and be sure to use protective gloves.

All employees participate in safety and health education and training, including new employees, labor safety and health personnel, special operations personnel, first aid personnel, general operations personnel, and other designated personnel during job transfers or changes, etc, and the refresher courses regularly.

There are sufficient first aid medicines and equipment in the workplace. When working, employees must use safe and appropriate protective supplies, such as earmuffs, masks, safety glasses or protective masks, heat-insulating asbestos gloves or thick velvet gloves, safety helmets, backpack safety belts, etc., before they can work.

Employees are obliged to accept health checkups, new employees must have physical checkups, and all current employees are required by regulations to undergo health checkups regularly arranged by the Company in order to understand their personal health conditions and make appropriate adjustments to their work.

(VI)The Company's implementation of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.

Evaluation Items	The state of operations			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
<p>I. Formulate ethical corporate management policy and plan</p> <p>(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?</p> <p>(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Whether the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company amended the "Ethical Corporate Management Principles" approved by the Board of Directors on 2020.03.27 and disclosed it on the Company's website, stating the relevant requirements and requesting the Board of Directors and senior management to issue a statement of compliance with the ethical corporate management policy.</p> <p>(II) The Company, through the review mechanism of its internal audit unit, prevents the occurrence of business activities involving unethical conduct, offering or accepting bribes, and illegal political contributions.</p> <p>(III) The Company amended on 2020.03.27 the "Operating Procedures for Ethical Management and Guidelines for Conduct", clearly specifying and implementing the relevant procedures.</p>	<p>There is no difference from the spirit of the principles.</p>
<p>II. The implementation of ethical corporate management</p> <p>(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?</p> <p>(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation?</p> <p>(III) Does the Company have a policy to prevent conflict of interest, provide appropriate channels for explanation, and implement it?</p> <p>(IV) Whether the Company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company and its customers and suppliers all adhere to the ethical principle in entering into and performing contracts.</p> <p>(II) The General Administration department is responsible for its promotion in the Company and reports to the Board of Directors in the fourth quarter of each year.</p> <p>(III) For matters related to conflict of interest, the Company has proper reporting channels and will keep the identity of the reports and the contents confidential.</p> <p>(IV) The Company's accounting unit strictly examines the supporting documents and related transaction documents for each expense, and the Company also has an internal control system. The internal audit unit performs various audits in accordance with the audit plan; and the appointed CPA also reviews annually the implementation of the internal control system.</p>	<p>There is no difference from the spirit of the principles.</p>

Evaluation Items	The state of operations			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
<p>unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit?</p> <p>(V) Does the Company regularly organize internal and external education and training on ethical corporate management?</p>	✓		(V) Each department head of the Company will promote the importance of ethical corporate management in a timely manner.	
<p>III. The operation of the Company's whistleblower reporting system</p> <p>(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?</p> <p>(II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?</p> <p>(III) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?</p>	✓	✓	<p>(I) The Company has clear guidelines in the "Operating Procedures for Ethical Management and Guidelines for Conduct", clearly specifying and implementing the relevant procedures.</p> <p>(II) The Company has clear guidelines in the "Operating Procedures for Ethical Management and Guidelines for Conduct", clearly specifying and implementing the relevant procedures.</p> <p>(III) The Company has clear guidelines in the "Operating Procedures for Ethical Management and Guidelines for Conduct", clearly specifying and implementing the relevant procedures.</p>	There is no difference from the spirit of the principles.
<p>IV. Enhance Information Disclosure</p> <p>Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System?</p>	✓		The Company's Ethical Corporate Management Principles is disclosed on both the Company's website and the Market Observation Post System.	There is no difference from the spirit of the principles.
<p>V. If the Company has related practice principles of its own in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation: no difference.</p>				
<p>VI. Other important information that is helpful to understand the implementation of ethical corporate management (For example, if the Company reviews and amends its ethical corporate management principles.)</p> <ol style="list-style-type: none"> <li>Article 16 of the Company's "Rules of Procedure for Board of Directors Meetings" clearly stipulates that board directors should exercise a high degree of self-discipline. For meeting matters in which they or the juristic persons they represent have an interest and the relationship is likely to compromise the interests of the Company, they can state their opinions or answer inquiries but must not participate in discussion or voting and they should also recuse themselves from such discussion and voting and must not exercise voting rights as a proxy of other directors.</li> <li>The Company has clearly defined the "Operating Procedures for Handling Material Inside Information and Preventing Insider Trading", which specifically regulates that the Company's directors, supervisors, managerial officers, employees, insiders and their related parties must not disclose internal material information that they know to others and must not inquire or collect undisclosed internal material information of the Company that is not related to their personal duties from those who know internal material information of the Company. Those who learn of undisclosed internal material information of the company for reasons other than the performing of their business also must not disclose it to others in order to protect investors and safeguard the interests of the Company.</li> </ol>				
<p>Note 1: The state of operations, no matter if "Yes" or "No" are checked, should be stated in summary description.</p>				

(VII) If the Company has formulated the "Corporate Governance Practice Principles" and related rules, it shall disclose its inquiry methods:

The Company has formulated the Corporate Governance Practice Principles, the Ethical Corporate Management Principles, and the Code of Ethical Conduct, and other guidelines, which are posted on the Company's website (<http://www.hold-key.com.tw>).

(VIII) Other important information that is helpful to understand the Company's implementation of corporate governance may also be disclosed.

Please refer to point 8 on page 23 of this report for any other important information that is helpful to understand the Company's implementation of corporate governance.

(IV) The implementation of internal control system

1. Statement of internal control

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**  
**Statement of internal control system**

Date: March 22, 2021

The Company states the following for its 2020 internal control system based on the results of self-evaluation,

- I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.
- II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of internal control system adopted in the "Regulations" are based on the process of managerial control and divide internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.
- IV. The Company has adopted the aforementioned criteria of internal control system to evaluate the effectiveness of the design and implementation of its internal control system.
- V. Based on the evaluation results of the preceding paragraph, the Company believed that the design and implementation of its internal control system was effective as of December 31, 2019 (including the supervision and management of subsidiaries), with a understanding of the extent to which the objectives of effectiveness and efficiency of operations were achieved, whether the reporting was reliable, timely, transparent, and if the compliance with relevant rulings, laws and regulations is met, and a reasonable assurance of the achievement of these objectives.
- VI. This statement will become the main content of the Company's annual report and prospectus, and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.
- VII. This statement was approved by the Company's Board of Directors on March 22, 2021. Of the 9 directors present, 0 had objections, and the rest all agreed with the content of this statement and declare here.

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

Chairperson: Biqi Yang

General manager: Xinzheng Li

2. Where a CPA was entrusted to review the internal control system, the review report should be disclosed: None.

(X) During the most recent year or during the current year up to the date of publication of the annual report, if the Company or its internal personnel have been punished in accordance with law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the results of such punishments may have a material effect on shareholder equity or securities price, the contents of the punishments, major deficiencies and improvements should be listed: None.

(XI) Important resolutions of the shareholder meeting and board meeting during the most recent year or during the current year up to the date of publication of the annual report:

1. Important resolutions of the Board of Directors:

Date	Important resolution
2020.3.27	<ol style="list-style-type: none"> <li>1. Approved the Company's 2019 business report, stand-alone financial statements and consolidated financial statements</li> <li>2. Approved the evaluation of the independence and competence of the attesting CPA engaged by the Company and its appointment remuneration.</li> <li>3. Approved the Company's assessment of the effectiveness of its internal control systems and the issuance of "Statement of Internal Control System" of 2019.</li> <li>4. Approved the amendment to the Company's "Rules of Procedure for Shareholder Meeting"</li> <li>5. Approved the amendment to the Company's "Corporate Social Responsibility Practice Principles"</li> <li>6. Approved the amendment to the Company's "Ethical Corporate Management Principles"</li> <li>7. Approved the amendment to the Company's "Operating Procedures for Ethical Management and Guidelines for Conduct"</li> <li>8. Approved the Company's "Rules of Procedure for Board of Directors Meetings".</li> <li>9. Approved the amendment to the Company's "Corporate Governance Practice Principles".</li> <li>10. Approved the amendment to the Company's "Remuneration Committee Charter".</li> <li>11. Approved the amendment to the Company's "Audit Committee Charter".</li> <li>12. Approved matters related to 2020 regular shareholder meeting.</li> <li>13. Approved matters related to the acceptance of shareholder proposals.</li> <li>14. Approved the renaming of the subsidiary Muchon Organic Farm Co., Ltd. and matters related to the coming expiration of the term of office of board directors and supervisors.</li> <li>15. Approved the investment in the shares of listed companies.</li> </ol>
2020.5.12	<ol style="list-style-type: none"> <li>1. Approved the Company's consolidated financial statements for the first quarter of 2020.</li> <li>2. Approved the amendment to the Company's "Procedure for Election of Directors".</li> <li>3. Approved the Company's 2019 remuneration for employees, directors and supervisors.</li> <li>4. Approved the amendment to the Company's principles of performance-based remuneration.</li> <li>5. Approved the Company's 2019 bonus distribution proposal</li> <li>6. Approved the Company's 2019 earnings distribution proposal.</li> <li>7. Approved the Company's capital surplus cash distribution proposal.</li> <li>8. Approved amendment to the matters related to 2020 regular shareholder meeting.</li> <li>9. Approved the investment in the shares of listed companies.</li> </ol>
2020.06.29	<ol style="list-style-type: none"> <li>1. Approved matters related to the Company's 2020 cash dividend ex-dividend base date.</li> <li>2. Approved the investment in the shares of listed companies.</li> </ol>
2020.08.11	<ol style="list-style-type: none"> <li>1. Approved the replacement of the Company's attesting CPA</li> <li>2. Approved the Company's consolidated financial statements for the first half of 2020.</li> <li>3. Approved the authorization for the Company's purchase of office.</li> <li>4. Approved the evaluation of the Company's factory renovation budget.</li> <li>5. Approved the application for retirement by the Company's internal personnel.</li> </ol>
2020.11.11	<ol style="list-style-type: none"> <li>1. Approved the Company's purchase of the Taipei office.</li> </ol>
2020.12.21	<ol style="list-style-type: none"> <li>1. Approved the Company's 2021 annual business budget.</li> <li>2. Approved the authorization of the chairperson Biqi Yang to handle various credit activities and accounts receivable factoring with various banks for the Company's 2021 operating needs.</li> <li>3. Approved the Company's 2021 audit plan</li> <li>4. Approved the amendment to part of internal control systems and internal audit implementation rules.</li> <li>5. Approved the amendment to the Company's "Rules of Procedure for Shareholder Meeting"</li> <li>6. Approved the amendment to the Company's "Procedure for Election of Directors"</li> <li>7. Approved the amendment to the Company's "Code of Ethical Conduct"</li> <li>8. Approved the amendments to the "Measures for the Performance Evaluation of the Board of Directors", the "Self-Assessment Questionnaire for the Performance Evaluation of the Board of Directors", the "Self-Assessment Questionnaire for the Performance Evaluation of Board Members" and the "Self-Assessment Questionnaire for the Performance Evaluation of Functional Committee" of the Company.</li> <li>9. Approved the relocation of the Company's registered address.</li> </ol>

Date	Important resolution
2021.03.22	<ol style="list-style-type: none"> <li>1. Approved the Company's 2020 business report, stand-alone financial statements and consolidated financial statements</li> <li>2. Approved the evaluation of the independence and competence of the attesting CPA engaged by the Company and its appointment remuneration.</li> <li>3. Approved the Company's assessment of the effectiveness of its internal control systems and the issuance of "Statement of Internal Control System" of 2020.</li> <li>4. Approved the amendment to the Company's "Rules of Procedure for Shareholder Meeting"</li> <li>5. Approved the Company's "Rules of Procedure for Board of Directors Meetings".</li> <li>6. Approved the Company's "Rules Governing the Scope of Powers of Independent Directors".</li> <li>7. Approved the amendment to the Company's "Audit Committee Charter".</li> <li>8. Approved the amendment to the Company's "Remuneration Committee Charter".</li> <li>9. Approved matters related to 2021 regular shareholder meeting.</li> <li>10. Approved matters related to the acceptance of shareholder proposals.</li> </ol>
2021.05.11	<ol style="list-style-type: none"> <li>1. Approved the amendment to the Company's "Article of Incorporation".</li> <li>2. Approved the appointment of the Company's corporate governance officer.</li> <li>3. Approved the Company's 2020 remuneration for employees, and directors</li> <li>4. Approved the amendment to the Company's principles of performance-based remuneration.</li> <li>5. Approved the Company's 2020 bonus distribution proposal And adjustment for general manager's monthly salary</li> <li>6. Approved the Company's 2020 earnings distribution proposal.</li> <li>7. Approved the Company's capital surplus cash distribution proposal.</li> <li>8. Approved the Company's cash capital reduction</li> <li>9. Approved amendment to the matters related to 2021 regular shareholder meeting.</li> </ol>

2. Important resolutions of the shareholder meeting and their implementation:

Date	Important resolutions and their implementation:
2020.06.29	<ol style="list-style-type: none"> <li>1. Ratification of the 2019 business report and financial statements</li> <li>2. Ratification of the 2019 earnings distribution proposal Implementation status: the cumulative distributable earnings were retained and would not be distributed.</li> <li>3. Approved the amendment to the Company's "Article of Incorporation". Implementation status: On August 10, 2020, it was approved by the Ministry of Economic Affairs for registration and announced on the Company's website.</li> <li>4. Approved the amendment to the Company's "Rules of Procedure for Shareholder Meeting"</li> <li>5. Approved the amendment to the Company's "Procedure for Election of Directors"</li> <li>6. Approved the capital surplus cash distribution proposal. Implementation status: July 21, 2020 was set as the base date for distribution, and August 18, 2020 as the distribution date. (Cash per share is NT\$0.3. )</li> </ol>

- (XII) During the most recent year or during the current year up to the date of publication of the annual report, if board directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None.
- (XIII) For the most recent year or the current year up to the date of publication of the annual report, summary of the resignation and dismissal of the Company's chairperson, general managers, accounting officer, finance officer, internal audit officer, corporate governance officer, and R&D officer: None.



V. Information on CPA professional fee

Name of CPA firm	The name of CPA		Audit period	Note
Deloitte and Touche	Zeli Gong	Jingting Yang	2020.01.01~2020.03.31	
Deloitte and Touche	Zeli Gong	Wenyuan Zhuang	2020.04.01~2020.12.31	Internal work rotation of the CPA firm

Amount unit: Thousand NT\$

Professional fee item Amount range	Audit fee	Non-audit fee	Total
	Less than NT\$2,000	-	-
NT\$2,000 (inclusive) ~ NT\$4,000	V	-	V

- (I) If the amount of non-audit fee paid to the attesting CPA, its firm and affiliates is more than one-fourth of the audit fee, the amount of audit and non-audit fee and the content of non-audit service should be disclosed: None

Name of CPA firm	The name of CPA	Audit fee	Non-audit fee					CPA audit period	Note
			System design	Business registration	Human resource	Others	Total		
Deloitte and Touche	Zeli Gong	2,615	0	0	0	0	0	2020.01.01 ~ 2020.03.31	
	Jingting Yang								
Deloitte and Touche	Zeli Gong		0	0	0	0	0	2020.04.01 ~ 2020.12.31	
	Wenyuan Zhuang								

- (II) Where the audit fee paid in the year of the replacement of CPA firm is less than the audit fee in the year before the change, the amount of the audit fee before and after the replacement and the reasons therefor should be disclosed: None.
- (III) Where the audit fee has decreased by 10% or more from the previous year, the amount, percentage and reasons therefor should be disclosed: None.

VI. Information on the replacement of CPA: In the second quarter of 2020, due to the internal rotation of the CPA firm, the attesting CPA were changed from Zeli Gong and Jingting Yang to Zeli Gong and Wenyuan Zhuang.

VII. If the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting affairs has in the most recent year held a position at the counting firm of its attesting CPA or an affiliate of the accounting firm, the name and position of the person, and the period during which the position was held, should be disclosed: None.

VIII. Any equity transfer or change in equity pledge by a director, supervisor, managerial officer, or shareholder with 10% stake or more during the most recent year or during the current year up to the date of publication of the annual report.

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

Title	Name	2020		2021 up to March 31	
		Change in shares held	Change in shares pledged	Change in shares held	Change in shares pledged
Chairperson and shareholders with 10% stake or more	SOL YOUNG ENTERPRISES CO., LTD.	0	0	0	0
Director	Kaiti Yang	0	0	0	0
Director	Yisen Lai	0	0	0	0
Director	Suyuan Yu	0	0	0	0
Director	Xinzheng Li	0	0	0	0
Director	BOND-GALV INDUSTRIAL CO., LTD.	0	0	0	0
Independent director	Rongsui Weng	0	0	0	0
Independent director	Wencheng Shen	0	0	0	0
Independent director	Shizhen Chen	0	0	0	0
General manager	Xinzheng Li	0	0	0	0
Audit officer	Meiling Lin	0	0	0	0
New venture division Deputy general manager (Retired on 2020.08.12)	Jianzhong Lu	0	0	0	0
Business division Deputy general manager	Liangxu Lai	0	0	0	0
General manager's office special assistant	Senxiong Wu	0	0	0	0
Manufacturing division Deputy general manager	Yinde Zhang	0	0	(608)	0
Finance officer (and officer of general administration)	Yaping Chen	0	0	0	0
Accounting officer	Tingyi Chou	0	0	0	0

(II) Information on the related party of the equity transfer or equity pledge: None.

## IX. Information on the relationship among the top 10 shareholders

April 30, 2021

Name	Shareholding by the individual		Shareholding of spouse and minor children		Total shareholding in the name of others		The name of and relationship among the top 10 shareholders if anyone is a related party, a spouse or a relative within second degree of kinship of another.		Note
	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %	Name (or alias)	Relation	
SOL YOUNG ENTERPRISES CO., LTD.	77,556,914	32.20%	0	0.00%	0	0.00%	None	None	
SOL YOUNG ENTERPRISES CO., LTD. Representative: Biqi Yang	10,821	0.00%	30,427	0.01%	0	0.00%	Shuli Xu	Relatives within second degree of kinship	
Zhangmiao Development Co., Ltd.	10,758,589	4.47%	0	0.00%	0	0.00%	Fenggen Development Co., Ltd.	Same responsible person	
Zhangmiao Development Co., Ltd. Responsible person: Shufen Xu	0	0.00%	2,000,662	0.83%	0	0.00%	Yuanhong Huang Bili Lian	Relatives within second degree of kinship Relatives within second degree of kinship	
YOUNG FAST OPTOELECTRONICS CO., LTD.	7,591,000	3.15	0	0.00%	0	0.00%	None	None	
YOUNG FAST OPTOELECTRONICS CO., LTD. Representative: Zhiqiang Bai	0	0.00%	0	0.00%	0	0.00%	None	None	
Fenggen Development Co., Ltd.	5,235,595	2.17%	0	0.00%	0	0.00%	Zhangmiao Development Co., Ltd.	Same responsible person	
Fenggen Development Co., Ltd. Responsible person: Shufen Xu	0	0.00%	2,000,662	0.83%	0	0.00%	Yuanhong Huang Bili Lian	Relatives within second degree of kinship Relatives within second degree of kinship	
Zhijie Yang	4,209,106	1.75%	0	0.00%	0	0.00%	Shuli Xu Yecheng Yang	First degree of kinship Relatives within second degree of kinship	
Yecheng Yang	4,069,269	1.69%	0	0.00%	0	0.00%	Shuli Xu Zhijie Yang	First degree of kinship Relatives within second degree of kinship	
Huan Yi Development Co., Ltd.	3,227,601	1.34%	0	0.00%	0	0.00%	None	None	
Huan Yi Development Co., Ltd. Responsible person: Xueqing Huang	78,551	0.03%	761,749	0.32%	0	0.00%	None	None	
BOND-GALV INDUSTRIAL CO., LTD.	2,912,498	1.21%	0	0.00%	0	0.00%	None	None	
BOND-GALV INDUSTRIAL CO., LTD. Responsible person: Yuanhong Huang	324,163	0.13%	747,638	0.31%	0	0.00%	Shufen Xu Bili Lian	Relatives within second degree of kinship Relatives within second degree of kinship	
Shuli Xu	2,609,196	1.08%	1,969,401	0.82%	0	0.00%	Zhijie Yang Yecheng Yang Biqi Yang	First degree of kinship First degree of kinship Second degree of kinship	
Bili Lian	2,398,170	1.00%	2,072,185	0.86%	0	0.00%	Shufen Xu Yuanhong Huang	Second degree of kinship Second degree of kinship	

## X. The total number of shares and the consolidated equity stake percentage held in any single reinvested enterprise by the Company, its directors, supervisors, managerial officers, or any companies controlled either directly or indirectly by the Company

April 30, 2021 Unit: shares; %

Reinvested enterprise (Note 1)	Investment by the Company		Directors, supervisors, managerial officers, and investments controlled either directly or indirectly.		Total investment	
	Number of shares	Shareholding %	Number of shares	Shareholding %	Number of shares	Shareholding %
HOLDKEY (BELIZE) INVESTMENTS LIMITED	9,970,519	100%	0	0.00%	9,970,519	100%
Muchon Organic Farm Co., Ltd.	13,000,000	100%	0	0.00%	13,000,000	100%

Note 1: investment by the Company using equity method

#### Four. Capital Raising

I. Capital and shares  
(I) Source of capital

April 30, 2021 Unit: shares; %

Share type	Authorized capital			Note
	Outstanding shares (note)	Unissued shares	Total	
Common shares	240,864,684	79,135,316	320,000,000	

Note: The shares are the stocks of a listed company and have no restrictions on trading.

April 30, 2021 Unit: NT\$

Year and month	Issue price (NT\$)	Authorized capital		Paid-in capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Using property other than cash as payment of shares	Others
1999.05	10	150,000,000	1,500,000,000	69,600,000	696,000,000	Capital increase of NT\$162,457,410 from earnings and capital surplus Approved on 1999.5.24 with Order (88) Taiwan-Finance-Securities (I) No. 48466.	None	
1999.05	10	150,000,000	1,500,000,000	94,600,000	946,000,000	Capital increase of NT\$250,000,000 by cash Approved on 1999.5.29 with Order (88) Taiwan-Finance-Securities (I) No. 48467.	None	
2000.06	10	210,000,000	2,100,000,000	113,700,000	1,137,000,000	Capital increase of NT\$191,000,000 from earnings and capital surplus Approved on 2000.6.28 with Order (86) Taiwan-Finance-Securities (I) No. 55914	None	
2001.07	10	210,000,000	2,100,000,000	119,385,000	1,193,850,000	Capital increase of NT\$56,850,000 from earnings and capital surplus Approved on 2001.7.25 with Order (90) Taiwan-Finance-Securities (I) No. 148338	None	
2002.08	10	210,000,000	2,100,000,000	125,355,000	1,253,550,000	Capital increase of NT\$59,700,000 from earnings and capital surplus Approved on 2002.8.15 with Taiwan-Finance-Securities (I) No. 0910145344	None	
2003.07	10	220,000,000	2,200,000,000	141,073,950	1,410,739,500	Capital increase of NT\$41,089,500 from earnings Approved on 2003.7.24 with Taiwan-Finance-Securities (I) No. 0920133575	None	
2004.07	10	320,000,000	3,200,000,000	186,768,481	1,867,684,810	Capital increase of NT\$158,913,960 from earnings and capital surplus Approved on 2004.7.6 with Taiwan-Finance-Securities (I) No. 0930129621	None	
2005.09	10	320,000,000	3,200,000,000	208,231,778	2,082,317,780	Capital increase of NT\$171,934,500 from earnings Approved on 2005.9.22 with Financial-Supervisory-Securities-I-0940142468	None	
2006.07	10	320,000,000	3,200,000,000	229,263,929	2,292,639,290	Capital increase of NT\$66,775,910 from earnings Approved on 2006.7.27 with Financial-Supervisory-Securities-I-0950133079	None	
2009.11	10	320,000,000	3,200,000,000	233,849,208	2,338,492,080	Capital increase of NT\$45,852,790 from earnings Approved on 2009.9.29 with Financial-Supervisory-Securities-Corporate-0980051110	None	
2011.09	10	320,000,000	3,200,000,000	240,864,684	2,408,646,840	Capital increase of NT\$70,154,760 from earnings Approved on 2011.7.6 with Financial-Supervisory-Securities-Corporate-1000031225	None	

Information on shelf registration system: Not applicable

## (II) Shareholder structure

April 30, 2021

Shareholder structure	Government agency	Financial institution	Other juristic person	Individual	Foreign institution and individual	Total
Quantity						
Number of persons	0	0	32	18,869	42	18,943
Shareholding	0	0	113,014,086	119,568,455	8,282,143	240,864,684
Shareholding %	0.00%	0.00%	46.92%	49.64%	3.44%	100.00%

## (III) Equity dispersion profile

April 30, 2021

Shareholding range	Number of shareholders	Shareholding	Shareholding %
1 to 999	5,596	1,015,000	0.42
1,000 to 5,000	10,412	20,831,479	8.65
5,001 to 10,000	1,488	11,735,918	4.87
10,001 to 15,000	464	5,723,363	2.38
15,001 to 20,000	281	5,221,220	2.17
20,001 to 30,000	254	6,383,574	2.65
30,001 to 40,000	110	3,859,391	1.60
40,001 to 50,000	66	3,076,290	1.28
50,001 to 100,000	134	9,301,260	3.86
100,001 to 200,000	62	8,750,144	3.63
200,001 to 400,000	30	8,644,574	3.59
400,001 to 600,000	12	5,904,996	2.45
600,001 to 800,000	6	4,336,606	1.80
800,001 to 1,000,000	6	5,197,799	2.16
More than 1,000,000	22	140,883,070	58.49
Total	18,943	240,864,684	100

## (IV) Major shareholders (with more than 5% stake and among top 10)

April 30, 2021

Name of major shareholder	Shares	Shareholding	Shareholding %
SOL YOUNG ENTERPRISES CO., LTD.		77,556,914	32.20%
Zhangmiao Development Co., Ltd.		10,758,589	4.47%
YOUNG FAST OPTOELECTRONICS CO., LTD.		7,591,000	3.15%
Fenggen Development Co., Ltd.		5,235,595	2.17%
Zhijie Yang		4,209,106	1.75%
Yecheng Yang		4,069,269	1.69%
Huan Yi Development Co., Ltd.		3,227,601	1.34%
BOND-GALV INDUSTRIAL CO., LTD.		2,912,498	1.21%
Shuli Xu		2,609,196	1.08%
Bili Lian		2,398,170	1.00%

## (V) Information on market price, net worth, earnings, dividend per share for the most recent two years

Item		Year		2019	2020	Current year up to March 31, 2021
Market price per share	Highest			10.05	14.75	17.65
	Lowest			8.01	5.72	10.5
	Average			8.87	11.60	14.03
Net worth per share	Before distribution			17.06	19.16	19.91
	After distribution (note 1)			16.76	Note 6	Not applicable
Earnings per share	Weighted average number of shares			240,865 thousand shares	240,865 thousand shares	240,865 thousand shares
	Earnings per share before retrospective adjustments (note 2)			0.28	1.00	0.28
	Earnings per share after retrospective adjustments (note 2)			-	Note 6	Not applicable
Dividend per share	Cash dividend			0.30	Note 6	Not applicable
	Stock dividend	Stock dividend from retained earnings		-	Note 6	Not applicable
		Stock dividend from capital surplus		-	Note 6	Not applicable
	Cumulative unpaid dividend			None	None	None
Return on investment analysis	Price-to-Earning Ratio (note 3)			31.68	11.60	50.11
	Price to earning ratio (note 4)			29.57	Note 6	Not applicable
	Cash dividend yield (note 5)			3.38%	Note 6	Not applicable

Note 1: Please fill in according to the distribution resolution of the next year's shareholder meeting.

Note 2: If there is a retroactive adjustment due to circumstances such as stock dividend, etc., earnings per share before and after the adjustment should be shown.

Note 3: Price to Earning ratio = average closing price per share for the year/earnings per share.

Note 4: Price to dividend ratio = average closing price per share for the year/cash dividend per share.

Note 5: Cash dividend yield = dividend per share/average closing price per share for the year

Note 6: 2020 earnings distribution has not yet been approved by the regular shareholder meeting.

(VI) Company dividend policy and implementation

1. Dividend policy

- (1) If there are earnings surplus in the Company's annual final accounts, it should provide for tax payables in accordance with the law, make up for the accumulated losses, then allocate 10% as legal reserve but when the legal reserve has reached the amount of the Company's paid-in capital, the allocation may no longer be necessary. After the appropriated earnings are set aside or reversed in accordance with laws and regulations, the remainder together with the accumulated unappropriated earnings of the previous year may be treated as distributable earnings, and the Board of Directors shall prepare a distribution proposal and submit it to the shareholder meeting for a resolution to distribute dividends to shareholders. The cash dividends to shareholders shall not be less than 10% of the total amount of dividends distributed to shareholders in the year.
- (2) The Company's dividend policy is based on current and future development plans, consideration of the investment environment, capital requirements and long-term financial planning, as well as shareholder interests, etc. Under the current dividend policy, if there is no other special reason, dividend shall not be less than 60% of the current year's earnings after tax (but may be allocated from capital surplus), except that if the cumulative distributable earnings are less than 100% of the paid-in capital, dividend may not be distributed.

Information on dividend distribution for the most recent 3 years:

	2017	2018	2019
Earnings after tax (thousand NT\$)	83,332	( 10,487 )	67,942
Total amount of dividends (thousand NT\$)	72,259	72,259	72,258
Earnings distribution (NT\$/share)	-	-	-
Dividend from capital surplus (NT\$/share)	0.30	0.30	0.30

2. The proposed dividend distribution in the shareholder meeting

On May 11, 2021, the Company's Board of Directors approved a resolution to retain the accumulated undistributed surplus without being distributed, and allocate NT\$72,259,405 from the capital reserve of NT\$355,182,942 from the excess of the issue of shares in excess of the par value, based on the issuance base date. For the shares held in the shareholder roster, the cash per share is NT\$0.3.

2020 earnings distribution statement

Unit: NT\$

<u>Summary</u>	<u>Amount</u>
Unappropriated earnings, beginning of period	960,949,116
Remeasurement of defined benefit plans recognized in retained earnings	323,577
Disposal of equity instrument investments at fair value through other comprehensive profit and loss, the cumulative gains and losses are directly transferred to retained earnings	4,511,672
Unappropriated earnings, after adjustment	965,784,365
Net profits for the period	241,980,526
Reversal of appropriated earnings	11,237,109
Provision for legal reserve	(24,681,578 )
Distributable earnings for the period	1,194,320,422
Distribution items:	
Shareholder cash dividends	-
Shareholder stock dividends	-
Unappropriated earnings, end of period	1,194,320,422

(VII) The impact of the proposed stock dividend in the shareholder meeting on the Company's operating performance and earnings per share:

There is no proposed stock dividend in the shareholder meeting, so it is not applicable.

(VIII) Remuneration for employees, directors, and supervisors

1. The amount or scope of remuneration for employees, directors and supervisors as stated in the Article of Incorporation:

(1) If the Company makes profits during the year, it should allocate 1% to 5% of the profits for the current year as employee remuneration and no more than 2.5% of the profits for the current year as director remuneration; The method of payment of employee remuneration is determined by a special resolution of the Board of Directors; employee remuneration and director remuneration should be reported to the shareholder meeting. However, when the Company still has accumulated losses, it should reserve the off-setting amount in advance.

The allocation basis is calculated on the balance of the profits for the current year (i.e., profits before tax and employee and director remuneration) after deducting accumulated losses.

2. The estimation of the remuneration for employees, directors and supervisors in this period is based on the number of shares distributed to employees as remuneration.

Accounting treatment when the estimate and the actual distribution amount are different:

(1) The estimation of the remuneration for employees, directors and supervisors is based on the percentage range stated in the Company's Article of Incorporation.

(2) The basis for calculating the number of shares distributed to employees as remuneration: The Company did not distribute stock remuneration in 2020.

(3) Accounting treatment when the estimate and the actual distribution amount are different: The difference is mainly due to changes in estimate and will be adjusted to the 2021 profit and loss.

3. Approval by the Board of Directors of remuneration distribution

(1) The amount of remuneration for employees, directors and supervisors distributed in cash or stocks. If the amount is different from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reason for the difference and the treatment of the difference should be disclosed.

The Board of Directors approved the appropriation of NT\$9,000,000 in cash for employee remuneration and NT\$3,600,000 in cash for director remuneration, which are not different from the amounts recognized in the 2020 financial statements.

(2) The amount of employee remuneration in stock and its proportion to the sum of net profits after tax and total employee remuneration in the stand-alone financial statements for the period:

There is nothing related to employee remuneration in stock in the shareholder meeting, so it is not applicable.

4. The actual distribution of the remuneration for employees, directors and supervisors in the previous year, and if it is different from the remuneration recognized, the amount of the difference, the reason for the difference and the treatment of the difference should be disclosed.

The actual amount of remuneration for employees, directors and supervisors distributed by the Company in 2019 is not different from the amount recognized in 2019 financial statements. Please refer to Note 22. (8) of the Company's 2020 stand-alone financial statements.

5. The Company's remuneration for directors is in accordance with Article 20 of the Company's Article of Incorporation, and no more than 2.5% of the profits for the current year (i.e., profits before tax and employee and director remuneration) should be set aside as remuneration for directors. The Remuneration Committee will use the results of the self-evaluation of directors according to the "Management Measures for Remuneration for Directors and Managerial Officers" and the "Measures for the Performance Evaluation of the Board of Directors" as a reference and at the same time, will take into account the Company's overall operating performance, the usual standard in the industry, personal management responsibilities, and performance contribution for reasonable remuneration.

(IX) Buy-back of the Company's shares: None

II. Issuance of corporate bonds: None

III. Preferred shares: None

IV. Issuance of global depository receipts: None

V. Employee stock option plan: None

VI. Employee restricted stock: None

VII. Issuance of new shares in connection with mergers or acquisitions of shares of other companies: None

VIII. Financing planning and implementation

The Company has not issued or privately placed securities to for any financial plans in the most recent year.



## Five. Operation overview

### I. Business Activities

#### (I) Business scope

1. The Company's main business activities include:
  - a. Manufacturing, processing and sales of various wires, cables and accessories.
  - b. Smelting, manufacturing, processing and sales of various metals.
  - c. Manufacturing, processing and sales of various motors, electrical equipment and insulating materials.
  - d. Piping engineering industry.
  - e. Import and export trade, agency and distribution of the preceding businesses.
2. The proportion of the Company's current products in consolidated revenues:  
2020 revenues analysis: rubber cable 10.52%, communication cable 10.76%, XLPE power cable 49.92%, bare aluminum wire 2.81%, optical fiber 3.12%, service and engineering income 4.19%, and other 18.68%.
3. The Company's current major products:
  - a. Rubber cable
  - b. XLPE power cable
  - c. Communication cable (Including multi-pair communication cables, network cables, etc.)
  - d. Bare aluminum wire
  - e. Optical fiber cable
4. New products under plan to be developed:  
In response to the rapid increase in demand for electricity in the general environment, the Company's R&D for future new products is directed towards such products that are required for overhead power transmission system as super heat-resistant aluminum-clad steel core aluminum wires, heat-resistant composite core aluminum wires, domestic and foreign UHV power cables, low-smoke and non-halogen environmentally friendly cables, etc. In addition to power cables, there are also customized high-frequency USB electronic cables to meet the needs of electronic products as a future product development direction.

#### (II) Industry overview

1. Current state and development of the industry:  
The wire and cable industry is a technology-intensive and capital-intensive industry. It is an important basic industry in our country and is indispensable for all public facilities, factories, commercial buildings, homes, vehicles and other information and electronic products and is a domestic demand-oriented industry, so the growth of the wire and cable industry is closely related to the prosperity of the upstream and downstream industries related to national public construction. Generally speaking, although the wire and cable industry is not a high-tech star industry with high growth rate, it has at least maintained at the economic growth rate and is a fairly mature but stable growing industry.  
Due to the lack of natural minerals in our country, the production of domestic wire and cable relies on import of electrolytic copper plates from abroad, which are then processed as primary products. Generally speaking, the cost of copper accounts for a high proportion of the manufacturing cost of wires and cables. Therefore, the selling price of the finished products of the wire and cable industry in our country is likely to change considerably with the rise and fall of the international copper price. If the international copper price fluctuates sharply, it will have a certain impact on the wire and cable industry of our country.
2. The correlation among the upstream, midstream and downstream industries:

Industrial structure	Description
Upstream	Raw materials suppliers for wires and cables such as copper, aluminum, optical fiber, and insulating outer coverings.
Midstream	Manufacturers of low-voltage, medium-voltage, high-voltage, ultra-high-voltage power cables, soft and hard stranded copper wires, communication wires, electronic wires, optical fibers, etc.
Downstream	Cable users of electric power, communication engineering, home appliances, information, electronic system engineering, etc.

Product name	Major application
Power cable	Transmission lines, high and low voltage distribution systems and indoor wiring of buildings.
Communication cable	Information and signal transmission lines for information, electronics, transmission equipment, etc.
Electronic wire	Internal wiring of information, home appliances, machinery and equipment.

3. Development trend and competition landscape:

- A. Currently, the wire and cable market is dominated by domestic sales, and due to the low entry barrier for general products, there are many domestic competitors, and the competitive advantage of the cable industry is mainly based on high value-added products.
- B. Environmental awareness is on the rise, promoting energy saving and carbon reduction. The non-nuclear homeland in 2025 is the current policy and objective so the rising demand for green energy industries such as wind power generation is causing an impact on the traditional wire and cable market.
- C. The boom or bust cycle of the domestic environment and the increase or decrease of the public engineering budget may affect the overall development of the wire and cable industry at any time.
- D. The international copper price and exchange rate fluctuate drastically, which easily affects the accuracy of the cost estimate and the profitability of the cable industry.

(III) Technology and R&D

1. R&D expenses invested during the most recent year or during the current year up to the date of publication of the annual report.

Item	Year	2020	Current year up to March 31, 2021
R&D expenses		NT\$4,460 thousand	NT\$1,616 thousand

2. Technology or product successfully developed  
69KV, 161KV and 345KV ultra-high voltage power cables, Aluminum (lead) covered ultra-high voltage power cables below 400KV, ultra-high voltage optical fiber composite power cables, 15KV and 25KV cable accessories, cross-linked PE termite-proof cables, bare aluminum wire, heat-resistant steel core aluminum wire, Japanese snow-proof high-voltage overhead aluminum wire and steel core aluminum wire, heat-resistant composite core aluminum wire, rubber cable, heat-resistant cable, low-smoke, non-toxic and fire-resistant cable, communication cables below 3200 pairs, various types of optical fiber cables, Cat.6, Cat.7 network cables, CMP network cables, and USB3.1 TYPE C electronic cables.
3. Future annual R&D plan  
High value-added products such as super heat-resistant steel core aluminum wires, power cables for green energy industry development, and UHV power cables for domestic and foreign markets, required for overhead power transmission systems.

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

Short-term business plan

- (1) Actively seek public engineering tenders for 69/161/345KV ultra-high voltage cables
- (2) Actively develop the global market for network routes.
- (3) Foreign market for aluminum (lead) covered power cables below 400KV
- (4) Improve production efficiency and reduce production costs for more orders and higher profits.

Long-term business plan

- (1) Actively integrate the manufacturing of overhead cables and UHV underground cables, the development of accessories, the design and construction of power systems, and lay out a foundation for turnkey projects for domestic and foreign power systems.
- (2) Integrate the Group's resources to deploy a global production and sales network, further cultivate domestic existing markets and expand overseas emerging markets.
- (3) Participate in the development of the green energy industry, focus on the R&D of high value-added products and develop new markets.

## II. Market and production and sales overview

### (I) Market analysis

#### 1. Sales area of the Company's major products

In 2020, the proportion of domestic sales of wires and cables (including cooperative export sales) was 93.7%, and the proportion of export sales was 6.3%.

Major export areas: Asia and the Americas.

#### 2. Market share

According to Commonwealth Magazine's top 2000 manufacturing revenue ranking summary for the year of 2021, the Company's overall ranking was 770th and 51th in the metal products industry.

#### 3. Future supply and demand of the market

In terms of domestic sales, wire and cable is a basic industry related to national construction and economic prosperity and high stability and long life cycle are its industrial characteristics. Although the market growth has slowed down in recent years, the government is still actively promoting the construction of various public engineering construction for the increase of electricity demand, the response and quality stability of power supply systems, the construction of metropolitan rapid transit systems, the modernization of telecommunication networks, the undergrounding of urban roads and cables, and the construction of transportation, etc., which still have a lot of demand for the wire and cable products and are expected to help our business.

The Company's wire and cable technology is sophisticated and our product line-up is complete. As one of the few companies in our country that have obtained the bidding qualification for Taiwan Power Company's 345KV cable, the Company has a certain competitive edge over other players in the industry for government construction and related tenders.

In terms of export, the major markets are in Europe and the Americas. The Company's major products internationally competitive, which have obtained ISO-9001 quality assurance, UL, as well as ETL and EC DELTA and other international safety and electrical certifications, etc and together with the outstanding sales and technical personnel cultivated by the Company for a long time will be a major advantage for the Company to expand overseas markets.

#### 4. Sales volume forecast and the basis

The Company's 2021 business target, after careful evaluation based on past sales performance and current order loading this year, the sales quantity of wires and cables is expected to be 45,000 kilometers.

#### 5. Competitive edge and favorable and unfavorable factors of development and corresponding tactics.

Favorable: ① The government is still actively promoting various construction projects, such as metropolitan rapid transit system, modernization of telecommunication network, undergrounding of urban roads and cables, power development projects, and transportation construction, which will positively benefit the wire and cable industry.

② The product line-up is complete with many quality certifications.

③ with high-end product development capability.

Unfavorable: ① The public engineering budget is subject to political factors that affect the stability of wire and cable demand.

② Copper prices and international raw materials fluctuate a lot, which has a greater impact on production costs and risk control.

③ There are many domestic and foreign cable manufacturers, and the price competition is fierce.

Corresponding tactics: Pay attention to changes in international copper prices and raw materials at any time, and take risk control measure. And continue to upgrade production technology, accelerate the development of new products, carry out R&D work such as equipment improvement or automation to improve the competitiveness and added value of products.

Obtain product quality certification from various countries and develop different markets domestically and internationally without relying on a single product for a single market.

### (II) Important application and production processes of major products

#### 1. Bare copper wire: for the manufacture of various wire and cable conductors.

Refined copper plate (raw material) → dissolving → casting → rolling → copper strip (semi-finished product) → drawing → copper wire (finished product)

#### 2. Power cable: for transmitting power and current.

Copper wire (raw material) → drawing wire → stranding wire → extrusion → coating → power wire (finished product)

### (III) Supply of major raw materials

#### 1. Bare copper wire: Mainly from Taiwan Sojitz Corporation, with stable material sources.

#### 2. PVC powder: Mainly purchased from Yuan Jen Enterprise Co., Ltd.

(IV) The names of suppliers and customers who have accounted for more than 10% of the total purchases (sales) in any of the most recent 2 years, their purchases (sales) amount and proportion, and the reasons for the increase or decrease

1. The names of major suppliers

Unit: Thousand NT\$

Item	2019				2020				As of the first quarter of 2021			
	Name	Amount	As a percentage of net purchases for the year [%].	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the year [%].	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the year up to the previous quarter [%].	Relationship with the issuer
1	Supplier A	250,758	10.63	None	Supplier A	418,429	21.08	None	Supplier A	84,843	12.75	None
2	Supplier B	259,919	11.02	None	Supplier B	178,656	9.00	None	Supplier B	98,975	14.88	None
	Others	1,847,368	78.35	None	Others	1,388,097	69.92	None	Others	481,426	72.37	None
	Net purchases	2,358,045	100.00		Net purchases	1,985,182	100.00		Net purchases	665,244	100.00	

Description: In response to the demand of production orders and supplier adjustments.

2. The names of major customers

Unit: Thousand NT\$

Item	2019				2020				As of the first quarter of 2021			
	Name	Amount	As a percentage of net sales for the year [%].	Relationship with the issuer	Name	Amount	As a percentage of net sales for the year [%].	Relationship with the issuer	Name	Amount	As a percentage of net sales for the year up to the previous quarter [%].	Relationship with the issuer
1	Customer A	1,194,682	43.40	None	Customer A	1,517,943	53.85	None	Customer A	319,381	39.35	None
2	Customer B	297,879	10.82	None	Customer B	91,688	3.25	None	Customer B	1,053	0.13	None
	Others	1,260,295	45.78	None	Others	1,209,028	42.90	None	Others	491,284	60.52	None
	Net purchases	2,752,856	100.00		Net purchases	2,818,659	100.00		Net purchases	811,718	100.00	

Description: There are differences due to customer sales and tender delivery.

## (V) Production quantity and amount for the most recent two years

Unit: Quantity: Metric tons; Core meter Amount: Thousand NT\$

Major products	Year	2019			2020		
		Capacity	Production quantity	Production amount	Capacity	Production quantity	Production amount
Rubber cable		15,000	2,896	293,079	15,000	2,777	264,467
Cross-linked PE Wire Cable		18,000	5,774	1,068,670	18,000	7,066	1,241,636
Communication cable		7,000	1,808	402,088	7,000	1,569	288,123
Bare aluminum wire		5,400	879	63,783	5,400	652	48,148
Optical fiber		350,000	132,068	210,153	350,000	55,670	66,036
Bare copper wire		-	51	9,049	-	113	25,121
Others		-	427	381,276	-	330	424,265
<b>Total</b>				<b>2,428,098</b>			<b>2,357,796</b>

## (VI) Sales quantity and amount for the most recent two years

Unit: Quantity: Metric tons; Core meter Amount: Thousand NT\$

Sales quantity and amount		Year	2019		2020	
			Sales quantity	Sales amount	Sales quantity	Sales amount
Major products						
Plastic Wire Cable	Domestic sales	2,925	309,995	2,962	295,695	
	Export sales	5	807	2	1,379	
	<b>Total</b>	<b>2,930</b>	<b>310,802</b>	<b>2,964</b>	<b>297,074</b>	
Cross-linked PE Wire Cable	Domestic sales	5,090	1,166,769	5,811	1,344,932	
	Export sales	0	0	556	64,151	
	<b>Total</b>	<b>5,090</b>	<b>1,166,769</b>	<b>6,367</b>	<b>1,409,083</b>	
Communication Cable	Domestic sales	1,242	234,263	1,228	214,620	
	Export sales	561	141,198	403	89,194	
	<b>Total</b>	<b>1,803</b>	<b>375,461</b>	<b>1,631</b>	<b>303,814</b>	
Bare aluminum wire	Domestic sales	1,029	109,172	780	79,305	
	Export sales	0	0	0	0	
	<b>Total</b>	<b>1,029</b>	<b>109,172</b>	<b>780</b>	<b>79,305</b>	
Optical fiber	Domestic sales	127,557	228,065	59,646	88,112	
	Export sales	227	386	0	0	
	<b>Total</b>	<b>127,784</b>	<b>228,451</b>	<b>59,646</b>	<b>88,112</b>	
Bare copper wire	Domestic sales	23	4,974	0	142	
	Export sales	0	0	0	0	
	<b>Total</b>	<b>23</b>	<b>4,974</b>	<b>0</b>	<b>142</b>	
Engineering	Domestic sales	0	105,339	0	118,230	
	Export sales	0	0	0	0	
	<b>Total</b>	<b>0</b>	<b>105,339</b>	<b>0</b>	<b>118,230</b>	
Others	Domestic sales	1,002	451,884	309	499,765	
	Export sales	0	5	55	23,134	
	<b>Total</b>	<b>1,002</b>	<b>451,889</b>	<b>364</b>	<b>522,899</b>	
Total	Domestic sales	138,868	2,610,461	70,736	2,640,801	
	Export sales	793	142,396	1,016	177,858	
	<b>Total</b>	<b>139,661</b>	<b>2,752,857</b>	<b>71,752</b>	<b>2,818,659</b>	

- III. The number of employees for the most recent 2 years, and during the current year up to the date of publication of the annual report, their average years of service, average age, and education distribution.

Year		2019	2020	Current year up to March 31, 2021
Number of employees	Management	61	57	57
	Technical staff	37	35	37
	Operator	138	136	133
	Total	236	228	227
Average age		41.26	43.86	43.56
Average years of service		11.17	12.45	12.37
Education distribution %	Doctorate	0	0	0
	Master	0.85	0.88	0.88
	University and college	31.78	31.58	31.72
	High school	55.08	54.82	54.19
	Below high school	12.29	12.72	13.21

- IV. Information on environmental protection expenditure: The losses suffered due to environmental pollution in the most recent year and in the current year up to the date of publication of the annual report (including penalty and violations of environmental protection laws and regulations resulted from environmental protection audits. The date, content, and reference number of the penalty, the provisions and contents of the laws and regulations violated should be listed), and disclose the estimated amount and corresponding measures that may occur at present and in the future and if it is impossible to make a reasonable estimate, the fact that it is impossible to make a reasonable estimate should be stated): None.

V. Labor Relation

- (I) Employee welfare programs, continuing education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures.

1. Employee welfare programs, continuing education, training

The Company attaches great importance to employee welfare and provides various welfare programs, including dormitories, uniforms, meals, etc. and also organizes various travel activities and provides our employees with various training opportunities to improve their professional knowledge.

2020 employee education and training summary

Course type	Total course hours	Expenditure (NT\$)
1. Business management	1,087	130,590
2. Labor safety and health		
3. Laws and regulations		
4. Professional techniques		

2. Retirement systems and implementation

- (1) The Company's retirement program is implemented in accordance with the Labor Standards Act, and a Supervisory Committee of Labor Retirement Reserve has been established to ensure labor rights.

- (2) The Company's employee retirement program formulated in accordance with the "Labor Pension Act" is a defined contribution pension plan. Starting from July 1, 2005, 6% of the Company has contributed 6% of employees' monthly salaries to the Bureau of Labor Insurance's individual pension fund account.
  - (3) The Company's employee retirement program formulated in accordance with the "Labor Standards Act" is a defined contribution pension plan. Employees' pensions are calculated based on their years of service and average salary (base) of the six months before the approved retirement date. The Company contributes 2% of employees' monthly salaries to Bank of Taiwan's pension fund account, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the name of the committee.
3. Labor-management agreement: The Company's labor-management relationship is cordial, and no labor-management disputes or losses have occurred.
  4. Employee rights protection measures: The Company follows the Labor Standards Act as the basic criteria for all of its regulations, and holds regular labor-management meetings to discuss and negotiate on labor rights and interests, and has a complete announcement system to publish the policies and benefits implemented by the Company from time to time.

(II) Losses incurred due to labor-management disputes in the most recent year and in the current year up to the date of the publication of the annual report (including violations of the Labor Standards Act resulted from labor inspection, the date, content, and reference number of the penalty, the provisions and contents of the laws and regulations violated should be listed) and disclose the estimated amount and corresponding measures that may occur at present and in the future : None.

#### VI. Important Contracts:

Nature of the contracts	The parties involved	Contract start and end date	Main content	Restriction clause
Sales contract	Central Mint	December 2020 ~ May 2021	Electrolytic copper plates	None
Sales and Installation Contract	FORMOSA CHEMICALS INDUSTRIES (NINGBO) LIMITED COMPANY	January 2020 ~ December 2021	132KV cable, equipment and installation	None
Purchase contract	Taiwan Sojitz Corporation	March 2020 ~ December 2021	Electrolytic copper plates	None
Purchase contract	Cuprime Material Co., Ltd.	February, 2021	Electrolytic copper plates	None
Purchase contract	MITSUI & CO.,LTD	March 2020 ~ March 2021	Electrolytic copper plates	None
Purchase contract	NOBLE RESOURCES	April 2020 ~ June 2021	Electrolytic copper plates	None



## Six. Finance Overview

### I. Condensed balance sheets and comprehensive income statements for the most recent 5 years

#### (I) Condensed balance sheets - IFRS (stand-alone)

Unit: Thousand NT\$

Year		Financial information for the most recent 5 years				
Item		2016	2017	2018	2019	2020
Current assets		2,096,354	2,221,124	2,252,047	2,516,473	2,340,474
Property, plant and equipment		1,397,313	1,328,149	1,238,375	1,175,721	1,389,644
Net investment property		198,422	198,495	195,793	195,156	192,936
Intangible assets		86	39	0	0	0
Other assets		530,867	641,033	544,825	734,539	1,106,161
Total assets		4,223,042	4,388,840	4,231,040	4,621,889	5,029,215
Current liabilities	Before distribution	219,185	268,330	282,025	461,906	374,131
	After distribution	291,445	340,590	354,285	534,164	Not yet distributed
Non-current liabilities		30,162	34,288	31,774	50,761	39,490
Total liabilities	Before distribution	249,347	302,618	313,799	512,667	413,621
	After distribution	321,607	374,878	386,059	584,925	Not yet distributed
Equity attributable to shareholders of the parent		3,973,695	4,086,222	3,917,241	4,109,222	4,615,594
Capital stock		2,408,647	2,408,647	2,408,647	2,408,647	2,408,647
Capital surplus		648,415	576,155	503,895	431,635	359,377
Retained earnings	Before distribution	1,157,864	1,237,911	1,226,029	1,280,177	1,526,992
	After distribution	1,157,864	1,237,911	1,226,029	1,280,177	Not yet distributed
Other equity		(241,231)	(136,491)	(221,330)	(11,237)	320,578
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,973,695	4,086,222	3,917,241	4,109,222	4,615,594
	After distribution	3,901,435	4,013,962	3,844,981	4,036,964	Not yet distributed

Note: The financial information of the Company for the most recent 5 years has been audited and attested by CPA.

Condensed comprehensive income statement - IFRS (stand-alone)

Unit: Thousand NT\$

Year Item	Financial information for the most recent 5 years				
	2016	2017	2018	2019	2020
Operating revenues	1,963,740	2,114,292	2,114,672	2,752,856	2,818,659
Operating gross profits (losses)	138,080	185,708	108,692	171,243	344,521
Operating profits (losses)	44,199	81,019	15,132	63,651	245,288
Non-operating income and expense	18,071	19,499	1,759	17,766	48,875
Net profits before tax	62,270	100,518	16,891	81,417	294,163
Net profits (losses) for the period from continuing operations	53,687	83,332	(10,487)	67,942	241,980
Losses from discontinued operations	0	0	0	0	0
Net profits (losses) for the period	53,687	83,332	(10,487)	67,942	241,980
Other comprehensive income for the period (Net after tax)	11,089	101,455	(86,234)	196,299	336,650
Total comprehensive income for the period	64,776	184,787	(96,721)	264,241	578,630
Net profits attributable to shareholders of the parent	53,687	83,332	(10,487)	67,942	241,980
Net profits attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to shareholders of the parent	64,776	184,787	(96,721)	264,241	578,630
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	0.22	0.35	(0.04)	0.28	1.00

Note: The financial information of the Company for the most recent 5 years has been audited and attested by CPA.

Condensed balance sheets - IFRS (consolidated)

Unit: Thousand NT\$

Item	Year	Financial information for the most recent 5 years					Financial information for the current year up to March 31, 2021 (note 1)
		2016	2017	2018	2019	2020	
Current assets		2,116,258	2,262,005	2,289,841	2,552,613	2,373,258	2,448,104
Property, plant and equipment		1,401,184	1,356,192	1,265,503	1,201,934	1,415,027	1,402,789
Net investment property		198,422	198,495	195,793	195,156	192,936	192,253
Intangible assets		86	39	0	0	0	0
Other assets		508,676	575,980	483,632	681,436	1,055,733	1,156,313
Total assets		4,224,626	4,392,711	4,234,769	4,631,139	5,036,954	5,199,459
Current liabilities	Before distribution	220,769	272,201	285,754	466,820	378,232	364,971
	After distribution	293,029	344,461	358,014	539,078	Not yet distributed	Not applicable
Non-current liabilities		30,162	34,288	31,774	55,097	43,128	39,569
Total liabilities	Before distribution	250,931	306,489	317,528	521,917	421,360	404,540
	After distribution	323,191	378,749	389,788	Not yet distributed	Not yet distributed	Not applicable
Equity attributable to shareholders of the parent		3,973,695	4,086,222	3,917,241	4,109,222	4,615,594	4,794,919
Capital stock		2,408,647	2,408,647	2,408,647	2,408,647	2,408,647	2,408,647
Capital surplus		648,415	576,155	503,895	431,635	359,377	355,342
Retained earnings	Before distribution	1,157,864	1,237,911	1,226,029	1,280,177	1,526,992	1,603,279
	After distribution	1,157,864	1,237,911	1,226,029	1,280,177	Not yet distributed	Not applicable
Other equity		(241,231)	(136,491)	(221,330)	(11,237)	320,578	427,651
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,973,695	4,086,222	3,917,241	4,109,222	4,615,594	4,794,919
	After distribution	3,901,435	4,013,962	3,844,981	4,036,964	Not yet distributed	Not applicable

Note: The financial information of the Company for the most recent 5 years has been audited and attested by CPA, and the consolidated financial information for the first quarter of 2021 has been reviewed by CPA.

Condensed comprehensive income statement - IFRS (consolidated)

Unit: Thousand NT\$

Item \ Year	Financial information for the most recent 5 years					Current year up to March 31, 2021 Financial information (Note)
	2016	2017	2018	2019	2020	
Operating revenues	1,969,422	2,119,260	2,119,659	2,757,736	2,822,947	812,470
Operating gross profits (losses)	134,949	179,366	104,071	167,801	340,905	116,244
Operating profits (losses)	39,263	72,893	9,193	59,080	240,642	91,079
Non-operating income and expense	23,007	27,625	7,698	22,337	53,521	(7,879)
Net profits (losses) before tax	62,270	100,518	16,891	81,417	294,163	83,200
Net profits (losses) for the period from continuing operations	53,687	83,332	(10,487)	67,942	241,980	67,567
Losses from discontinued operations	0	0	0	0	0	0
Net profits (losses) for the period	53,687	83,332	(10,487)	67,942	241,980	67,567
Other comprehensive income for the period (Net after tax)	11,089	101,455	(86,234)	196,299	336,650	115,793
Total comprehensive income for the period	64,776	184,787	(96,721)	264,241	578,630	183,360
Net profits attributable to shareholders of the parent	53,687	83,332	(10,487)	67,942	241,980	67,567
Net profits attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income attributable to shareholders of the parent	64,776	184,787	(96,721)	264,241	578,630	183,360
Comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	0.22	0.35	(0.04)	0.28	1.00	0.28

Note: The financial information of the Company for the most recent 5 years has been audited and attested by CPA, and the consolidated financial information for the first quarter of 2021 has been reviewed by CPA.

(II) The name of CPA for the most recent 5 years and the audit opinions

Year \ Item	The name of CPA	Audit opinion
2016	Deloitte and Touche Qingzhen Yang, Zeli Gong	An unqualified opinion
2017	Deloitte and Touche Zeli Gong Jingting Yang	An unqualified opinion
2018	Deloitte and Touche Zeli Gong Jingting Yang	An unqualified opinion
2019	Deloitte and Touche Zeli Gong Jingting Yang	An unqualified opinion
2020	Deloitte and Touche Zeli Gong Wenyuan Zhuang	An unqualified opinion

II. Financial analysis for the most recent 5 years - IFRS (stand-alone)

Analysis	Year item	Financial information for the most recent 5 years				
		2016	2017	2018	2019	2020
Capital structure %	Debts to assets ratio (Note 1)	5.90	6.90	7.42	11.09	8.22
	Long-term capital to property, plant, and equipment ratio	250.91	269.91	275.35	302.31	294.15
Liquidity %	Current ratio	956.43	827.76	798.53	544.80	625.58
	Quick ratio	748.81	619.86	587.68	364.34	422.85
	Interests coverage multiplier (Note 2)	1,154.15	2,452.66	412.98	226.53	994.79
Operating performance	Accounts receivable turnover rate (times)	2.52	3.71	4.75	5.88	6.51
	Average collection days	144	98	76	62	56
	Inventory turnover rate (times)	3.49	3.86	3.53	3.68	3.14
	Accounts payable turnover rate (times)	11.75	15.94	12.96	10.00	8.72
	Average sales days	105	95	103	99	116
	Property, plant and equipment turnover rate (times)	1.48	1.54	1.64	2.27	2.18
	Total assets turnover rate (times)	0.46	0.49	0.49	0.62	0.58
Profitability	Return on assets (%) (Note 2)	1.25	1.94	(0.24)	1.54	5.02
	Return on equity (%) (Note 2)	1.35	2.07	(0.26)	1.69	5.55
	Profits before tax to paid-in capital (%) (Note 2)	2.59	4.17	0.70	3.38	12.21
	Net profits margin (%) (Note 2)	2.73	3.94	(0.50)	2.47	8.58
	Earnings per share (NT\$) (Note 2)	0.22	0.35	(0.04)	0.28	1
Cash flow	Cash flow ratio (%) (Note 3)	215.04	90.55	67.97	(51.30)	111.11
	Cash flow adequacy ratio (%) (Note 3)	180.40	83.30	65.24	47.48	98.09
	Cash flow reinvestment ratio (Note 3)	7.85	3.36	2.39	(6.19)	6.57
Leverage	Operating leverage (Note 4)	4.74	3.16	11.84	3.65	1.58
	Financial leverage	1.00	1.00	1.00	1.01	1.00

Please explain the reasons for the changes in various financial ratios for the most recent 2 years: (increase or decrease is more than 20%)

Note 1: The debt ratio decreased due to the purchase of new offices in 2020

Note 2. Due to the difference in sales mix, the gross profit margin increased significantly in 2020, resulting in an increase in net profits before and after tax, which led to an increase in the respective ratios.

Note 3: Net cash flow from operating activities increased and the related ratios increased due to the significant increase in net profits before tax and the collection of accounts receivable.

Note 4: Operating profits increased and operating leverage decreased due to higher gross profit margin.

## Financial analysis - IFRS (consolidated)

Analysis		Year item	Financial information for the most recent 5 years					Current year up to March 31, 2021 Financial information
			2016	2017	2018	2019	2020	
Capital structure %	Debts to assets ratio (Note 1)	5.94	6.98	7.50	11.27	8.37	7.78	
	Long-term capital to property, plant, and equipment ratio	250.30	265.04	270.24	298.07	289.73	303.09	
Liquidity %	Current ratio	958.58	831.01	801.33	546.81	627.46	670.77	
	Quick ratio	751.00	624.92	592.34	367.76	426.48	448.68	
	Interests coverage multiplier (Note 2)	1,154.15	2,452.66	412.98	191.67	818.12	2,134.33	
Operating performance	Accounts receivable turnover rate (times)	2.53	3.72	4.76	5.89	6.51	10.37	
	Average collection days	144	98	77	62	56	35	
	Inventory turnover rate (times)	3.49	3.86	3.53	3.68	3.15	3.6	
	Accounts payable turnover rate (times)	11.79	16.01	13.01	10.03	8.75	13.5	
	Average sales days	105	95	103	99	116	103	
	Property, plant and equipment turnover rate (times)	1.48	1.53	1.61	2.22	2.15	2.30	
	Total assets turnover rate (times)	0.46	0.49	0.49	0.62	0.58	0.63	
Profitability	Return on assets (%) (Note 2)	1.25	1.93	(0.24)	1.54	5.01	5.28	
	Return on equity (%) (Note 2)	1.35	2.07	(0.26)	1.69	5.55	5.74	
	Profits before tax to paid-in capital (%) (Note 2)	2.59	4.17	0.70	3.38	12.21	3.45	
	Net profits margin (%) (Note 2)	2.73	3.93	(0.49)	2.46	8.57	8.32	
	Earnings per share (NT\$) (Note 2)	0.22	0.35	(0.04)	0.28	1	0.28	
Cash flow	Cash flow ratio (%) (Note 3)	210.37	87.61	65.94	(51.32)	109.27	(3.15)	
	Cash flow adequacy ratio (%) (Note 3)	160.96	77.45	60.01	44.25	96.27	56.91	
	Cash flow reinvestment ratio (Note 3)	7.70	3.27	2.32	(6.24)	6.51	(0.21)	
Leverage	Operating leverage (Note 4)	5.26	3.42	19.03	3.89	1.60	1.15	
	Financial leverage	1.00	1.00	1.00	1.01	1.00	1.00	

Please explain the reasons for the changes in various financial ratios for the most recent 2 years: (increase or decrease is more than 20%)

Note 1: The debt ratio decreased due to the purchase of new offices in 2020

Note 2. Due to the difference in sales mix, the gross profit margin increased significantly in 2020, resulting in an increase in net profits before and after tax, which led to an increase in the respective ratios.

Note 3: Net cash flow from operating activities increased and the related ratios increased due to the significant increase in net profits before tax and the collection of accounts receivable.

Note 4: Operating profits increased and operating leverage decreased due to higher gross profit margin.

Note 1: The financial information of the Company for the most recent 5 years has been audited and attested by CPA, and the consolidated financial information for the first quarter of 2021 has been audited and attested by CPA.

Note 2: Financial analysis formula:

1. Capital structure
  - (1) Debts to assets ratio = total liabilities/total assets
  - (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment
2. Liquidity
  - (1) Current ratio = current assets/current liabilities
  - (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities
  - (3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period
3. Operating performance
  - (1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).
  - (2) Average collection days = 365/accounts receivable turnover rate
  - (3) Inventory turnover rate = costs of goods sold/average inventory
  - (4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).
  - (5) Average sales days = 365/inventory turnover rate
  - (6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment
  - (7) Total assets turnover rate = net sales/average total assets
4. Profitability
  - (1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets
  - (2) Return on equity = net profits after tax/average total equity
  - (3) Net profits margin = net profits after tax/net sales
  - (4) Earnings per share = (net profits attributable to shareholders of the parent - preferred stock dividend)/weighted average number of shares outstanding
5. Cash flow
  - (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
  - (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years
  - (3) Cash flow reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals).
6. Leverage
  - (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits.
  - (2) Financial leverage = operating profits / (operating profits - interest expense).



III. Audit Committee's review report of the financial statements for the most recent year

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**Audit Committee's Review Report**

The Board of Directors prepared the Company's 2020 business report, financial statements (stand-alone and consolidated) and earnings distribution proposal. CPA Zeli Gong and Wenyuan Zhuang from Deloitte and Touche have audited the financial statements (stand-alone and consolidated) and have issued an audit report. The above-mentioned business report, financial statements (stand-alone and consolidated) and earnings distribution proposal have been reviewed by the Audit Committee and no discrepancies have been found and a report was prepared for your review according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To  
The 2021 regular shareholder meeting of HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

Chairperson of the Audit Committee:

May 11, 2021

- IV. Financial statements for the most recent year: Please refer to pages 75 to 139.
- V. The stand-alone financial statements of the Company for the most recent year, audited and attested by CPA: Please refer to pages 140 to 219.
- VI. If the Company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the annual report, their effects on the Company's financial status should be described: None.

## Seven. Review and analysis of financial status and financial performance and risk

### I. Review and analysis of financial status - IFRS (consolidated)

Unit: Thousand NT\$

Item	Year	2020	2019	Difference	
				Amount	%
Current assets		2,373,258	2,552,613	(179,355)	(7.03)
Property, plant and equipment		1,415,027	1,201,934	213,093	17.73
Net investment property		192,936	195,156	(2,220)	(1.14)
Intangible assets		0	0	0	0
Other assets (Note 1)		1,055,733	681,436	374,297	54.93
Total assets		5,036,954	4,631,139	405,815	8.76
Current liabilities		378,232	466,820	(88,588)	(18.98)
Non-current liabilities (Note 2)		43,128	55,097	(11,969)	(21.72)
Total liabilities		421,360	521,917	(100,557)	(19.27)
Equity attributable to shareholders of the parent		4,615,594	4,109,222	506,372	12.32
Capital stock		2,408,647	2,408,647	0	0
Capital surplus		359,377	431,635	(72,258)	(16.74)
Retained earnings		1,526,992	1,280,177	246,815	19.28
Other equity (Note 3)		320,578	(11,237)	331,815	(2,952.88)
Treasury stock		0	0	0	0
Non-controlling interests		0	0	0	0
Total equity		4,615,594	4,109,222	506,372	12.32

The explanation is as follows: items with a more than 20% change and the amount of the change is more than NT\$10 million between the previous and the current period

Note 1: Other assets: Mainly due to the increase in financial assets measured at fair value through other comprehensive income - non-current (including additions and annual valuation adjustments)

Note 2: Non-current liabilities: Due to the newly purchased office in Taipei in 2020, the lease of the old office was not renewed upon expiration, resulting in a decrease in lease liabilities - non-current.

Note 3: Other equity: Increase in unrealized valuation gain or loss on financial assets measured at fair value through other comprehensive income.

II. Review and analysis of financial performance - IFRS (consolidated)

Unit: Thousand NT\$

Item	Year	2020	2019	Increase (decrease) amount	Change (%)
Net operating revenues		2,822,947	2,757,736	65,211	2.36
Operating costs		2,482,042	2,589,935	(107,893)	(4.17)
Operating gross profits (Note 1)		340,905	167,801	173,104	103.16
Operating expenses		100,263	108,721	(8,458)	(7.78)
Operating profits (Note 1)		240,642	59,080	181,562	307.32
Non-operating income and expense (Note 2)		53,521	22,337	31,184	139.61
Profits before tax (Note 3)		294,163	81,417	212,746	261.30
Tax expense (Note 4)		52,183	13,475	38,708	287.26
Net profits (losses) for the period (Note 5)		241,980	67,942	174,038	256.16
Net other comprehensive income for the period (Note 6)		336,650	196,299	140,351	71.50
Comprehensive income for the period (Note 7)		578,630	264,241	314,389	118.98

Analysis and explanation of increase or decrease % (items with a more than 20% change and the amount of the change is more than NT\$10 million between the previous and the current period)

Note 1. Operating gross profit/operating profit for the period increased significantly due to different product mix and improved production efficiency.

Note 2. The increase in non-operating income was mainly due to the increase in dividend income and unrealized gold valuation gains, and the absence of loss on disposal of affiliated companies and impairment loss on property, plant and equipment for the year.

Note 3. increased due to the combined reasons of the Notes 1 and 2 above.

Note 4. Income tax expense based on the statutory tax rate increased due to the increase in net profits for the period.

Note 5. increased due to the combined reasons of the Notes 3 and 4 above.

Note 6. The increase in unrealized valuation benefits from investments in equity instruments measured at fair value through other comprehensive income.

Note 7. increased due to the combined reasons of the Notes 5 and 6 above.

### III. Review and analysis of cash flow

#### (i). Analysis of changes in cash flow for the most recent year

Unit: Thousand NT\$

Item \ Year	2020	2019	Increase (decrease) %
Cash flow ratio	109.27	(51.32)	(312.92%)
Cash flow adequacy ratio	96.27	44.25	117.56%
Cash flow reinvestment ratio	6.51	(6.24)	(204.33%)

Analysis and explanation of increase or decrease %: (increase or decrease is more than 20%)  
 Net cash flow from operating activities increased and the related ratios increased due to the significant increase in net profits before tax and the collection of accounts receivable.

#### (ii). Analysis of cash liquidity for the coming year

Unit: Thousand NT\$

Cash balance as of 2020.12.31①	Estimated 2021 net cash flow from operating activities②	Estimated 2021 cash outflow③	Estimated cash balance (shortfall) ①+②-③	Remedies for estimated cash shortfall	
				Investment plan	Financing plan
684,882	300,000	650,000	334,882	--	--

IV. Effect of major capital expenditures on finance and business matters in the most recent year: No major capital expenditure plans in 2020.

V. Reinvestment policy for the most recent year, the main reasons for profit or loss, improvement plan and investment plan for the coming year.

- (1) Investment policy for the most recent year: The Company's reinvestments are made with long-term operations as the development strategy. In view of the frequent food safety scandals in recent years, the Company invested in the Muchon Organic Farm Co., Ltd. in July 2014 in order to further cultivate the market and explore the opportunities of organic agriculture.
- (2) Overview of the gain and loss from major investments in the most recent year: Please refer to the note 34.(ii) to the 2020 financial statements. The main reason for the loss is that it takes time to establish a brand image and expand market but best efforts will be made to establish various marketing channels and participate in the organic agriculture market to break through the existing bottleneck. The profitability status has gradually improved compared with the previous period.
- (3) Investment plan for the coming year: To conservatively adapt to the reinvested enterprises and continue to cultivate the organic agriculture market.

### VI. Risk

(I) The impact of the changes in interest rate and exchange rate, and inflation on the Company's profitability in the most recent year and in the current year up to the date of publication of the annual report and future corresponding measures

1. The impact of the change in interest rate on the Company's profitability in the most recent year and in the current year up to the date of publication of the annual report and future corresponding measures

As of December 31, 2020, the balance of borrowing was NT\$0 thousand. If interest rate would increase (decrease) by one yard (0.25% per annum), the net profits before tax would decrease (increase) by NT\$0 thousand, and the impact of interest expense on earnings per share for the year would be NT\$0.

The Company's corresponding measures to changes in interest rate:

- (1) Actively seek preferential interest rate from financial institutions and plan and control capital positions.
- (2) Regularly evaluate the loan interest rate of financial institutions and obtain the average market interest rate to stay in the most favorable loan interest rate range.

2. The impact of the change in exchange rate on the Company's profitability in the most recent year and in the current year up to the date of publication of the annual report and future corresponding measures  
The exchange profit in 2020 was NT\$1,770 thousand, and the impact on earnings per share was NT\$(0.007).  
The Company's corresponding measures to changes in exchange rate:
    - (1) Adopt natural hedging of the same currency between receipt and payment.
    - (2) Depending on the demand for capital and the fluctuation of exchange rate, stay in contact with bank foreign exchange units, pay attention to the trend of exchange rate, and make proper use of foreign currency accounts to adjust the foreign currency positions held.
  3. The impact of inflation on the Company's profitability in the most recent year and in the current year up to the date of publication of the annual report and future corresponding measures  
The Company's products are not general consumer products, so inflation has no specific impact on the Company.
- (II) Policies on high-risk, highly-leveraged investments, lending funds others, endorsement and guarantee, and derivatives transactions in the most recent year and in the current year up to the date of publication of the annual report, major reasons for gain or loss, and future corresponding measures:
1. The Company did not engage in high-risk, highly-leveraged investments in the most recent year.
  2. The Company and its affiliates have conducted relevant transactions in accordance with the "Operating Procedures for Lending Funds to Others", "Implementation Measures of Endorsement and Guarantee" and "Processing Procedures for Engagements in Derivatives Transactions". In the most recent year, the Company and its affiliates did not engage in lending funds to others, endorsement or guarantee, or derivatives transactions.
- (III) Future R&D plans and estimated R&D expenses during the most recent year or during the current year up to the date of publication of the annual report: It is estimated that the R&D investment in 2021 will be NT\$6.5 million, which will continue to be targeted at high value-added products such as super heat-resistant steel core aluminum wires, power cables for green energy industry development, and UHV power cables for domestic and foreign markets, required for overhead power transmission systems.
- (IV) The impact of important domestic and foreign policy and legal changes on the Company's finance and business in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.
- (V) The impact of important changes in technology or industry on the Company's finance and business in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.
- In terms of information security risk control, the Company has established and implemented an information security management policy and its information security specifications are as follows:
1. When connecting to the external network, the system is equipped with firewall and anti-virus software to strengthen the security of the information management system.
  2. Strengthen propaganda to prevent employees from sending, receiving or downloading emails or software that are not related to business, and eliminate the chance of computer virus infection.
  3. Transmission of company-related information via e-mail is prohibited without the authorization of the officer in charge.
  4. Encrypt important software or files and update passwords regularly to avoid misappropriation or plagiarism.
  5. If employees need other network services, they should submit an application to the officer in charge for approval and have an evaluation by MIS before they can install the network services.
  6. Regularly update the anti-virus software and detect the anti-virus software version, and train all personnel to turn on the anti-virus software and real-account function to monitor and scan all data files in and out of the computer.
- (VI) The impact of change in corporate image in the most recent year and in the current year up to the date of publication of the annual report on corporate crisis management and corresponding measures: None.
- (VII) Expected benefits and possible risks of mergers and acquisitions in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures : None.

- (VIII) Expected benefits and possible risks of plant expansion in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures : None.
  - (IX) Risks of concentrations of purchases or sales in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures : None.
  - (X) The impact on the Company and risks of the massive transfer or change of shares of directors, supervisors or major shareholders with 10% stake or more in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.
  - (XI) The impact on the Company and risks of change in management rights in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures: None.
  - (XII) Litigation or non-litigation events in the most recent year and in the current year up to the date of publication of the annual report: None.
  - (XIII) Other major risks in the most recent year and in the current year up to the date of publication of the annual report and corresponding measures : None.
- (VII) Other important matters: None

**Eight. Special Matters**

- I. Information on the Company's affiliates
  - (I) The consolidated business report of affiliates

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HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

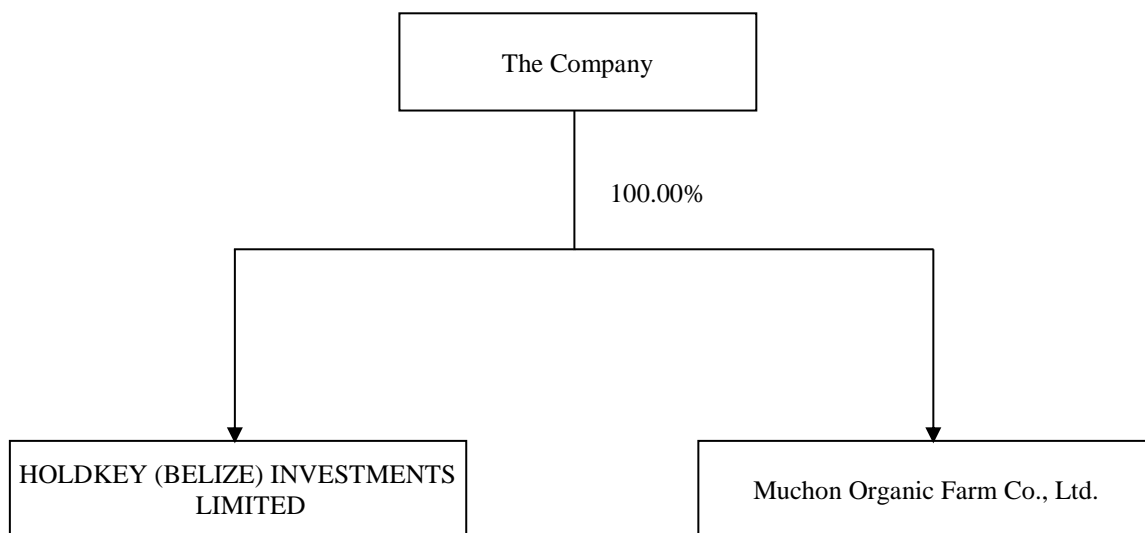
The consolidated business report of affiliates

2020

I. Affiliate overview

(VIII) Affiliate organization chart

Affiliate name	Shareholding %
Controlling company and subordinate	
HOLDKEY (BELIZE) INVESTMENTS LIMITED	100.00%
Muchon Organic Farm Co., Ltd.	100.00%



## (II) Information on affiliates

December 31, 2020 Unit: Thousand NT\$

Enterprise name	Date of Incorporation	Address	Paid-in capital	Major business and production items
HOLDKEY (BELIZE) INVESTMENTS LIMITED	2000.06.19	60 Market Square, P.O.Box364, Belize City, Belize	333,245 (USD 9,842) (HKD 1,000)	Investment
Muchon Organic Farm Co., Ltd.	2008.08.11 (Shareholding as of 2014.07.01)	19F, No. 85, Sec. 1, Zhongxiao W. Rd., Taipei City (2021.2.19 Relocation: 3F., No. 36-10, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City.)	130,000	Crop cultivation and wholesale

## (III) Information on the shareholders in common of the Company and affiliates presumed to be in a controlling and subordinate relation

December 31, 2020 Unit: shares; %

Controlling company name	Control reason	Shareholding and pledging of the controlling company			Directors, supervisors or managerial officers appointed by the controlling company	
		Shareholding	Shareholding %	Number of pledged shares	Title	Name
SOL YOUNG ENTERPRISES CO., LTD.	Juristic-person director of the Company	77,556,914	32.20%	-	Chairperson	Biqi Yang

(IV) Industries covered by the business of the overall affiliates

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. is a reinvested company of HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. in the 3rd area.

Muchon Organic Farm Co., Ltd. is a crop cultivation and wholesale company invested by HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

(V) Directors, supervisors and general managers of affiliates

December 31, 2020 Unit: shares; %

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding %
HOLDKEY (BELIZE) INVESTMENTS LIMITED	Chairperson	HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.: Biqi Yang	9,971,519	100.00
Muchon Organic Farm Co., Ltd.	Chairperson	HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.	13,000,000	100.00

II. Affiliate Operations Overview

December 31, 2020 Unit: Thousand NT\$

Enterprise name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profits (losses)	Net profits (losses) for the period (after tax)	earnings (losses) per share (NT\$) (after tax)
HOLDKEY (BELIZE) INVESTMENTS LIMITED	333,245 (USD 9,842 ) (HKD 1,000 )	4,967 (USD 174)	- (USD -)	4,967 (USD 174)	-	(55) (USD -2)	179 (USD 6)	0.02 (USD 0.0006)
Muchon Organic Farm Co., Ltd.	130,000	58,280	7,747	50,533	4,549	(4,592)	(3,111)	(0.24)

Note: 100% shareholding as of 2014.07.01

(II) The consolidated business report of affiliated enterprises

The statement of the consolidated business report of affiliated enterprises

The entities required to be included in the consolidated financial statements of the Company as of and for the year ended December 31, 2020 under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with IFRS No. 10 “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed according to the Criteria is included in the consolidated financial statements prepared in conformity with IFRS No. 10. Consequently, The Company and affiliates do not prepare a separate set of consolidated financial statements.  
Hereby declare

HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

Responsible person: Biqi Yang

March 22, 2021

- (III) The consolidated business report of affiliates: None
- II. Private placement of securities during the most recent year or during the current year up to the date of publication of the annual report: None
- III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent year or during the current year up to the date of publication of the annual report: None.
- IV. Other matters that require additional explanation: None.

**Nine. If any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities, has occurred during the most recent year or during the current year up to the date of publication of the annual report: None.**

Financial statements for the most recent year

- (I) CPA's audit report
- (II) Balance sheets
- (III) Comprehensive income statement
- (IV) Statement of changes in equity
- (V) Cash flow statement

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Hold-Key Electric Wire & Cable Co., Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the 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

The Group's revenue from sales of wires and cables to contractors of domestic government projects is recognized upon customers' acceptance of the products in accordance with the agreement. As the amount of revenue is significant to the consolidated financial statements, the occurrence of revenue recognition was deemed as a key audit matter for the year ended December 31, 2020.

To address this matter, we evaluated the Group's revenue recognition policy and the design and implementation of internal controls for this type of revenue. We selected samples of the recorded sales revenue and verified them against the contract, customers' acceptance documents, sales orders, etc., and confirmed the occurrence of revenue transactions.

## **Other Matter**

We have also audited the financial statements of Hold-Key Electric Wire & Cable Co., Ltd. as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Tza-Li Gung and Wen-Yuan Chuang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2021

#### Notice to Readers

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

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

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

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

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 684,882	14	\$ 669,334	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	167,508	3	144,441	3
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	126,724	2	118,679	3
Financial assets at amortized cost - current (Notes 4, 9 and 29)	36,000	1	41,986	1
Contract assets - current (Notes 4 and 22)	240,070	5	155,721	3
Notes receivable (Notes 4, 10 and 22)	26,497	-	38,573	1
Trade receivables (Notes 4, 10 and 22)	290,533	6	501,716	11
Amounts due from customers for construction contracts (Note 11)	-	-	3,203	-
Other receivables (Note 10)	2,943	-	9,296	-
Inventories (Notes 4, 5 and 12)	757,574	15	819,730	18
Other current assets (Note 18)	40,527	1	49,934	1
Total current assets	<u>2,373,258</u>	<u>47</u>	<u>2,552,613</u>	<u>55</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	990,554	20	581,408	12
Investments accounted for using the equity method (Notes 4 and 14)	570	-	366	-
Property, plant and equipment (Notes 4, 15 and 29)	1,415,027	28	1,201,934	26
Right-of-use assets (Notes 4 and 16)	9,266	-	26,758	1
Investment properties (Notes 4, 17 and 29)	192,936	4	195,156	4
Deferred tax assets (Notes 4, 5 and 24)	28,136	1	32,351	1
Other non-current assets (Note 18)	27,207	-	40,553	1
Total non-current assets	<u>2,663,696</u>	<u>53</u>	<u>2,078,526</u>	<u>45</u>
<b>TOTAL</b>	<u>\$ 5,036,954</u>	<u>100</u>	<u>\$ 4,631,139</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable	\$ 290	-	\$ 171	-
Trade payables to unrelated parties	220,484	4	319,541	7
Trade payables to related parties (Note 28)	-	-	27,069	1
Amounts due to customers for construction contracts (Note 11)	2,066	-	10,802	-
Other payables (Note 19)	85,207	2	83,465	2
Current tax liabilities (Notes 4 and 24)	42,955	1	1,970	-
Lease liabilities - current (Notes 4 and 16)	3,506	-	6,941	-
Other current liabilities (Note 19)	23,724	-	16,861	-
Total current liabilities	<u>378,232</u>	<u>7</u>	<u>466,820</u>	<u>10</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 24)	2,553	-	-	-
Lease liabilities - non-current (Notes 4 and 16)	5,899	-	19,958	-
Other non-current liabilities (Notes 19, 20 and 28)	34,676	1	35,139	1
Total non-current liabilities	<u>43,128</u>	<u>1</u>	<u>55,097</u>	<u>1</u>
Total liabilities	<u>421,360</u>	<u>8</u>	<u>521,917</u>	<u>11</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 8 and 21)</b>				
Ordinary shares	<u>2,408,647</u>	<u>48</u>	<u>2,408,647</u>	<u>52</u>
Capital surplus	<u>359,377</u>	<u>7</u>	<u>431,635</u>	<u>9</u>
Retained earnings				
Legal reserve	307,990	6	301,196	7
Special reserve	11,237	-	221,330	5
Unappropriated earnings	<u>1,207,765</u>	<u>24</u>	<u>757,651</u>	<u>16</u>
Total retained earnings	<u>1,526,992</u>	<u>30</u>	<u>1,280,177</u>	<u>28</u>
Other equity	<u>320,578</u>	<u>7</u>	<u>(11,237)</u>	<u>-</u>
Total equity attributable to owners of the parent	<u>4,615,594</u>	<u>92</u>	<u>4,109,222</u>	<u>89</u>
<b>TOTAL</b>	<u>\$ 5,036,954</u>	<u>100</u>	<u>\$ 4,631,139</u>	<u>100</u>

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

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22, 28 and 35)	\$ 2,822,947	100	\$ 2,757,736	100
OPERATING COSTS (Notes 12, 20, 23 and 28)	<u>2,482,042</u>	<u>88</u>	<u>2,589,935</u>	<u>94</u>
GROSS PROFIT	<u>340,905</u>	<u>12</u>	<u>167,801</u>	<u>6</u>
OPERATING EXPENSES (Notes 20, 23 and 28)				
Selling and marketing expenses	56,279	2	63,436	2
General and administrative expenses	39,524	1	38,400	2
Research and development expenses	<u>4,460</u>	<u>-</u>	<u>6,885</u>	<u>-</u>
Total operating expenses	<u>100,263</u>	<u>3</u>	<u>108,721</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>240,642</u>	<u>9</u>	<u>59,080</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	2,758	-	5,918	-
Other income (Note 23)	38,407	1	31,896	1
Other gains and losses (Notes 14, 15 and 23)	12,488	1	(8,026)	-
Finance costs (Note 23)	(360)	-	(427)	-
Share of profit (loss) of associates accounted for using the equity method (Note 14)	<u>228</u>	<u>-</u>	<u>(7,024)</u>	<u>-</u>
Total non-operating income and expenses	<u>53,521</u>	<u>2</u>	<u>22,337</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	294,163	11	81,417	3
INCOME TAX EXPENSE (Notes 4, 5 and 24)	<u>52,183</u>	<u>2</u>	<u>13,475</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>241,980</u>	<u>9</u>	<u>67,942</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	323	-	(2,696)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	336,584	12	199,036	7

(Continued)

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (257)	-	\$ (41)	-
Other comprehensive income for the year, net of income tax	<u>336,650</u>	<u>12</u>	<u>196,299</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 578,630</u>	<u>21</u>	<u>\$ 264,241</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.00</u>		<u>\$ 0.28</u>	
Diluted	<u>\$ 1.00</u>		<u>\$ 0.28</u>	

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

(Concluded)

## HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

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

	Retained Earnings						Other Equity		Total	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
						Total				
BALANCE AT JANUARY 1, 2019	\$ 2,408,647	\$ 503,895	\$ 301,196	\$ 136,491	\$ 788,342	\$ 1,226,029	\$ 6,103	\$ (227,433)	\$ (221,330)	\$ 3,917,241
Appropriation of the 2018 earnings Special reserve	-	-	-	84,839	(84,839)	-	-	-	-	-
Issuance of cash dividends from capital surplus	-	(72,260)	-	-	-	-	-	-	-	(72,260)
Net profit for the year ended December 31, 2019	-	-	-	-	67,942	67,942	-	-	-	67,942
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,696)	(2,696)	(41)	199,036	198,995	196,299
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	65,246	65,246	(41)	199,036	198,995	264,241
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(11,098)	(11,098)	-	11,098	11,098	-
BALANCE AT DECEMBER 31, 2019	2,408,647	431,635	301,196	221,330	757,651	1,280,177	6,062	(17,299)	(11,237)	4,109,222
Appropriation of the 2019 earnings Legal reserve	-	-	6,794	-	(6,794)	-	-	-	-	-
Reversal of special reserve	-	-	-	(210,093)	210,093	-	-	-	-	-
Issuance of cash dividends from capital surplus	-	(72,258)	-	-	-	-	-	-	-	(72,258)
Net profit for the year ended December 31, 2020	-	-	-	-	241,980	241,980	-	-	-	241,980
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	323	323	(257)	336,584	336,327	336,650
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	242,303	242,303	(257)	336,584	336,327	578,630
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	4,512	4,512	-	(4,512)	(4,512)	-
BALANCE AT DECEMBER 31, 2020	\$ 2,408,647	\$ 359,377	\$ 307,990	\$ 11,237	\$ 1,207,765	\$ 1,526,992	\$ 5,805	\$ 314,773	\$ 320,578	\$ 4,615,594

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

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 294,163	\$ 81,417
Adjustments for:		
Depreciation expenses	75,952	92,910
Amortization expenses	17	17
(Reversal of) expected credit loss on trade receivables	(2,089)	2,607
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(23,067)	(19,998)
Finance costs	360	427
Interest income	(2,758)	(5,918)
Dividend income	(28,766)	(21,284)
Share of (profit) loss of associates	(228)	7,024
Loss (gain) on disposal of property, plant and equipment	8,674	(1,432)
Loss on disposal of investment accounted for using the equity method	-	6,539
Impairment loss recognized on property, plant and equipment	-	14,718
Write-downs of inventories	1,850	4,812
Reversal of write-downs of inventories	(9,500)	(32,500)
Net loss (gain) on foreign currency exchange	421	(723)
Other non-cash items	(8)	-
Changes in operating assets and liabilities		
Contract assets	(84,599)	(155,721)
Notes receivable	12,032	(18,054)
Trade receivables	213,248	(138,446)
Amounts due from customers for construction contracts	3,203	210
Other receivables	6,098	(7,689)
Inventories	69,806	(204,366)
Other current assets	9,407	(24,139)
Other non-current assets	(57)	2
Notes payable	119	(1,358)
Trade payables	(126,226)	179,342
Amounts due to customers for construction contracts	(8,736)	(2,115)
Other payables	2,040	15,034
Other current liabilities	6,863	(2,037)
Other non-current liabilities	(59)	(5)
Cash generated from (used in) operations	418,160	(230,726)
Interest paid	(360)	(427)
Income tax paid	(4,511)	(8,402)
Net cash generated from (used in) operating activities	<u>413,289</u>	<u>(239,555)</u>

(Continued)



# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

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

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (94,554)	\$ (50,551)
Proceeds from sale of financial assets at fair value through other comprehensive income	4,694	46,270
Proceeds from capital reduction by return of shares - financial assets at FVTOCI	9,253	16,986
Purchase of financial assets at amortized cost	(50,000)	(88,375)
Proceeds from sale of financial assets at amortized cost	55,986	88,375
Proceeds from sale of investments in associates	-	776
Payments for property, plant and equipment	(258,078)	(39,898)
Proceeds from sale of property, plant and equipment	-	1,917
Increase in refundable deposits	(14,189)	(31,044)
Decrease in refundable deposits	12,557	34,841
Payments for investment properties	(529)	(2,000)
Increase in prepayments for equipment	(15,427)	(23,954)
Interest received	3,011	5,901
Other dividends received	<u>28,766</u>	<u>21,284</u>
Net cash used in investing activities	<u>(318,510)</u>	<u>(19,472)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from guarantee deposits received	45	138
Refunds of guarantee deposits received	(45)	(138)
Repayment of the principal portion of lease liabilities	(6,740)	(6,596)
Cash dividends from capital surplus	<u>(72,258)</u>	<u>(72,260)</u>
Net cash used in financing activities	<u>(78,998)</u>	<u>(78,856)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(233)</u>	<u>(138)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	15,548	(338,021)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>669,334</u>	<u>1,007,355</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 684,882</u>	<u>\$ 669,334</u>

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

(Concluded)

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

Hold-Key Electric Wire & Cable Co., Ltd. (the “Company”) was established in Taipei, Taiwan in March 1989 and its factories are located in Taoyuan, Taiwan. The Company mainly manufactures and sells XLPE power cables, electric cables, aluminum cables, rubber cables, communication cables, fiber optic cables, LAN cables, cable accessories, etc. and is also engaged in the import and export trade of the aforementioned products.

The Company’s shares are listed and have been traded on the Taiwan Stock Exchange since September 2000.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 22, 2021.

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

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

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

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

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

The initial application of the aforementioned amendments did not have material impact on the Group’s assets, liabilities and equity as of January 1, 2021.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement 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.

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

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

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

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

See Note 13 and Table 3 for detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not translated using the exchange rate at the date of the transaction.

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

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. 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 Group continues to apply the equity method and does not remeasure the retained interest.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

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

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

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



Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories and property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

## 1. Financial instruments

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

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

### Financial assets

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

#### 1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

##### a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

Fair value is determined in the manner described in Note 27.

b) Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

## 2) Impairment of financial assets and contract assets

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 3) Derecognition of financial assets

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

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

### Equity instruments

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

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

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

### Financial liabilities

#### 1) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

#### 2) Derecognition of financial liabilities

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

### m. Revenue recognition

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

#### 1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electric wires and cables. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location or when the cables have been installed and examined by the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue and contract assets are recognized concurrently. Any amounts previously recognized as contract assets are subsequently reclassified to trade receivables when invoices are issued. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

#### 2) Revenue from the rendering of services

Revenue from the rendering of services comes from cable and wire installation services. Revenue from the installation of electric wires and cables and contract assets are recognized concurrently when the installation has been completed and examined by the customer. Contract assets are subsequently reclassified to trade receivables when invoices are issued.

## n. Leases

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

### 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

### 2) The Group as lessee

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

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

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

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

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

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

### 3) Current and deferred taxes

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### **Key Sources of Estimation Uncertainty**

#### a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience for the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. Refer to Note 12 for the Group's carrying amount of inventories as of December 31, 2020 and 2019.

#### b. Income taxes

As of December 31, 2020 and 2019, the carrying amount of deferred tax assets in relation to deductible temporary differences was \$28,136 thousand and \$32,351 thousand, respectively. As of December 31, 2020 and 2019, no deferred tax asset was recognized on tax losses of \$78,756 thousand and \$79,742 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.



## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 147	\$ 146
Checking accounts and demand deposits	233,535	153,307
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>451,200</u>	<u>515,881</u>
	<u>\$ 684,882</u>	<u>\$ 669,334</u>

The rate intervals of cash in banks at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Bank balance	0%-0.41%	0%-2.25%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Gold investment account	<u>\$ 167,508</u>	<u>\$ 144,441</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Domestic investments		
Listed shares		
Ordinary shares - G-Shank Enterprise Co., Ltd.	\$ 11,696	\$ 13,362
Ordinary shares - Nishoku Technology Inc.	17,876	11,152
Ordinary shares - Taiwan Cooperative Financial Holding Co., Ltd.	63,751	63,111
Ordinary shares - Global Mixed-Mode Technology Inc.	11,165	8,855
Ordinary shares - Sinher Technology Inc.	8,676	8,066
Ordinary shares - DrayTek Company	6,578	7,084
Ordinary shares - Taiwan Fu Hsing Industrial Co., Ltd.	2,512	2,459
Ordinary shares - Mega Financial Holding Company Ltd.	<u>4,470</u>	<u>4,590</u>
	<u>\$ 126,724</u>	<u>\$ 118,679</u>

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Young Fast Optoelectronics Co., Ltd.	\$ 698,187	\$ 340,655
Ordinary shares - Fuzetec Technology Co., Ltd.	51,532	39,372
Unlisted shares		
Ordinary shares - Sol Young Enterprises Co., Ltd.	135,622	101,586
Ordinary shares - Bond-Galv Industrial Co., Ltd.	64,199	58,329
Ordinary shares - Mosart Semiconductor Corp.	9,976	5,076
Ordinary shares - Luminous Optical Technology Co., Ltd.	21,563	22,941
Ordinary shares - Taiwan Submarine Cable Co., Ltd. (Note)	300	300
Preference shares - MagiCap Venture Capital Co., Ltd.	<u>9,175</u>	<u>13,149</u>
	<u>\$ 990,554</u>	<u>\$ 581,408</u>

Note: One-Seven Trading Co., Ltd. was renamed as Taiwan Submarine Cable Co., Ltd. on December 31, 2020.

These investments in equity instruments are held for medium to long-term strategic purposes, and the Group expects to profit from the shares through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

(Concluded)

In 2020 and 2019, the Group acquired investments in equity instruments for medium to long-term strategic purposes of \$94,554 thousand and \$50,551 thousand, respectively; the management designated these investments as at FVTOCI.

In 2020 and 2019, the Group sold its shares in order to manage credit concentration risk. The sold shares had a fair value of \$4,694 thousand and \$46,270 thousand, respectively, and the related unrealized valuation gain (loss) of \$4,512 thousand and \$(11,098) thousand, respectively, was transferred from other equity to retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ <u>36,000</u>	\$ <u>41,986</u>
a. As of December 31, 2020 and 2019, the interest rates for time deposits with original maturity of more than 3 months were from 0.55% to 1.05% and 0.80% to 1.05%, respectively.		
b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.		

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 27,225	\$ 39,257
Less: Allowance for impairment loss	<u>(728)</u>	<u>(684)</u>
	\$ <u>26,497</u>	\$ <u>38,573</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 293,467	\$ 506,783
Less: Allowance for impairment loss	<u>(2,934)</u>	<u>(5,067)</u>
	\$ <u>290,533</u>	\$ <u>501,716</u>
<u>Other receivables</u>		
Tax refund receivable	\$ -	\$ 1,212
Earned revenue receivable	<u>2,943</u>	<u>8,084</u>
	\$ <u>2,943</u>	\$ <u>9,296</u>

Trade receivables at amortized cost

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

Other than government agencies, the Group transacted with customers from diverse industries that are unrelated to each other; thus, no concentration of credit risk was observed.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

December 31, 2020

	<b>Not Past Due</b>
Expected credit loss rate	1%
Gross carrying amount	\$ 320,692
Loss allowance (Lifetime ECLs)	<u>(3,662)</u>
Amortized cost	<u>\$ 317,030</u>

December 31, 2019

	<b>Not Past Due</b>
Expected credit loss rate	1%
Gross carrying amount	\$ 546,040
Loss allowance (Lifetime ECLs)	<u>(5,751)</u>
Amortized cost	<u>\$ 540,289</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 5,751	\$ 4,019
Add: Amounts estimated	-	2,607
Less: Amounts written off	-	(875)
Less: Amounts recovered	<u>(2,089)</u>	<u>-</u>
Balance at December 31	<u>\$ 3,662</u>	<u>\$ 5,751</u>

## 11. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Amounts due from customers for construction contracts</u>		
Construction costs incurred plus recognized profits less recognized losses to date	\$ -	\$ 4,579
Less: Progress billings	<u>-</u>	<u>(1,376)</u>
	<u>\$ -</u>	<u>\$ 3,203</u>

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Amounts due to customers for construction contracts</u>		
Progress billings	\$ 4,426	\$ 108,644
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>(2,360)</u>	<u>(97,842)</u>
	<u>\$ 2,066</u>	<u>\$ 10,802</u>

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Finished goods	\$ 271,368	\$ 270,674
Work in progress	279,152	192,275
Raw materials	205,411	354,730
Agricultural products	<u>1,643</u>	<u>2,051</u>
	<u>\$ 757,574</u>	<u>\$ 819,730</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$2,394,888 thousand and \$2,504,173 thousand, respectively.

The cost of goods sold included reversal of write-downs of inventories of \$9,500 thousand and inventory write-downs of \$1,850 thousand for the year ended December 31, 2020. The cost of goods sold included reversal of write-downs of inventories of \$32,500 thousand and inventory write-downs of \$4,812 thousand for the year ended December 31, 2019. Previous write-downs were reversed as a result of the sale of obsolete and slow-moving inventories which were previously written down.

### 13. SUBSIDIARIES

#### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2020	2019
The Company	Holdkey (Belize) Investments Limited	Investment	100	100
	Muchonfarm Inc. (Note)	Agriculture	100	100

Note: Muchorganic Incorporated Limited was renamed as Muchonfarm Inc. on May 8, 2020.

### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Investments in Associates

	December 31	
	2020	2019
Associates that are not individually material	\$ <u>570</u>	\$ <u>366</u>

#### Aggregate Information of Associates that are Not Individually Material

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Total comprehensive income (loss) for the year	\$ <u>228</u>	\$ <u>(7,024)</u>

The Group held a 21% interest in its associate, Commodity Cables, Inc. In June 2019, the Group sold all of its interest in Commodity Cables, Inc. This transaction resulted in the recognition of a loss in profit or loss, which was calculated as follows:

Proceeds from disposal (received in June 2019)	\$ 776
Less: Carrying amount of investment at the date of disposal	<u>(7,315)</u>
Loss on disposal of associate	\$ <u>(6,539)</u>

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited.

## 15. PROPERTY, PLANT AND EQUIPMENT

### Assets Used by the Group

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Lease Improvement	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 326,749	\$ 1,414,117	\$ 488,239	\$ 59,900	\$ 2,683	\$ 2,291,688
Additions	196,831	31,328	8,274	21,346	-	257,779
Disposals	-	(71,354)	(276,754)	(7,955)	-	(356,063)
Transferred from prepaid equipment	-	2,633	16,385	11,383	-	30,401
Balance at December 31, 2020	<u>\$ 523,580</u>	<u>\$ 1,376,724</u>	<u>\$ 236,144</u>	<u>\$ 84,674</u>	<u>\$ 2,683</u>	<u>\$ 2,223,805</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ (616,137)	\$ (444,269)	\$ (27,734)	\$ (1,614)	\$ (1,089,754)
Disposals	-	65,278	276,608	5,503	-	347,389
Depreciation expense	-	(38,300)	(19,900)	(7,869)	(344)	(66,413)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (589,159)</u>	<u>\$ (187,561)</u>	<u>\$ (30,100)</u>	<u>\$ (1,958)</u>	<u>\$ (808,778)</u>
Balance at December 31, 2020, net	<u>\$ 523,580</u>	<u>\$ 787,565</u>	<u>\$ 48,583</u>	<u>\$ 54,574</u>	<u>\$ 725</u>	<u>\$ 1,415,027</u>
	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Lease Improvement	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 326,749	\$ 1,413,461	\$ 679,227	\$ 139,731	\$ 2,683	\$ 2,561,851
Additions	-	11,675	8,240	10,579	-	30,494
Disposals	-	(13,359)	(200,446)	(91,490)	-	(305,295)
Transferred from prepaid equipment	-	2,340	1,218	1,080	-	4,638
Balance at December 31, 2019	<u>\$ 326,749</u>	<u>\$ 1,414,117</u>	<u>\$ 488,239</u>	<u>\$ 59,900</u>	<u>\$ 2,683</u>	<u>\$ 2,291,688</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ (588,771)	\$ (599,299)	\$ (107,076)	\$ (1,202)	\$ (1,296,348)
Disposals	-	13,359	200,320	91,131	-	304,810
Impairment Loss	-	-	(13,680)	(1,038)	-	(14,718)
Depreciation expense	-	(40,725)	(31,610)	(10,751)	(412)	(83,498)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (616,137)</u>	<u>\$ (444,269)</u>	<u>\$ (27,734)</u>	<u>\$ (1,614)</u>	<u>\$ (1,089,754)</u>
Balance at December 31, 2019, net	<u>\$ 326,749</u>	<u>\$ 797,980</u>	<u>\$ 43,970</u>	<u>\$ 32,166</u>	<u>\$ 1,069</u>	<u>\$ 1,201,934</u>

In July 2017, Muchonfarm Inc. purchased a piece of land located in Qimei Section of Ruisui Township, Hualien County, with the purchase price of \$24,376 thousand for organic farming. Because it is an agricultural land, the land use right is temporarily registered under the name of Hsin-Cheng Lee, the chairman of Muchonfarm Inc. Muchonfarm Inc. entered into an agreement with Hsin-Cheng Lee and signed a contract of borrowing other's name for real estate registration, which stated that Muchonfarm Inc. is the legal owner of the abovementioned land.

In 2019, the Group evaluated that the economic benefits of equipment used for the production of some of the products had decreased, thereby resulting in the recoverable amount being lower than the carrying amount. Therefore, the Group recognized an impairment loss of \$14,718 thousand.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	6-55 years
Machinery and equipment	4-20 years
Other equipment	3-16 years
Lease improvements	4-11 years

The major parts of the buildings held by the Group include plants and fire extinguishing equipment, which are depreciated over their estimated useful lives of 50 years and 10 years, respectively.

Refer to Note 29 for the carrying amount of property, plant and equipment pledged for general banking facilities granted to the Group.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Land	\$ 4,338	\$ 5,052
Buildings	1,670	16,691
Transportation equipment	<u>3,258</u>	<u>5,015</u>
	<u>\$ 9,266</u>	<u>\$ 26,758</u>
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 11,990</u>
Depreciation charge for right-of-use assets		
Land	\$ 714	\$ 654
Buildings	4,275	4,568
Transportation equipment	<u>1,757</u>	<u>1,515</u>
	<u>\$ 6,746</u>	<u>\$ 6,737</u>

### b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Current	\$ 3,506	\$ 6,941
Non-current	<u>\$ 5,899</u>	<u>\$ 19,958</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Land	1.465%	1.465%
Buildings	1.195%-1.465%	1.465%
Transportation equipment	1.465%	1.465%



c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ <u>2,977</u>	\$ <u>3,255</u>
Expenses relating to low-value asset leases	\$ <u>101</u>	\$ <u>95</u>
Total cash outflow for leases	\$ <u>(7,059)</u>	\$ <u>(6,982)</u>

The Group's leases of certain buildings, transportation equipment, etc., qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 17.

**17. INVESTMENT PROPERTIES**

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 130,168	\$ 91,730	\$ 221,898
Additions	-	529	529
Disposals	<u>-</u>	<u>(593)</u>	<u>(593)</u>
Balance at December 31, 2020	<u>\$ 130,168</u>	<u>\$ 91,666</u>	<u>\$ 221,834</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ (26,742)	\$ (26,742)
Disposals	-	593	593
Depreciation expenses	<u>-</u>	<u>(2,749)</u>	<u>(2,749)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (28,898)</u>	<u>\$ (28,898)</u>
Balance at December 31, 2020, net	<u>\$ 130,168</u>	<u>\$ 62,768</u>	<u>\$ 192,936</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 130,168	\$ 90,258	\$ 220,426
Additions	-	2,000	2,000
Disposals	<u>-</u>	<u>(528)</u>	<u>(528)</u>
Balance at December 31, 2019	<u>\$ 130,168</u>	<u>\$ 91,730</u>	<u>\$ 221,898</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ (24,633)	\$ (24,633)
Disposals	-	528	528
Depreciation expenses	<u>-</u>	<u>(2,637)</u>	<u>(2,637)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (26,742)</u>	<u>\$ (26,742)</u>
Balance at December 31, 2019, net	<u>\$ 130,168</u>	<u>\$ 64,988</u>	<u>\$ 195,156</u>

Investment properties are depreciated on a straight-line basis over their estimated useful lives of 6 to 50 years.

The fair value of investment properties was \$322,019 thousand and \$322,253 thousand as of December 31, 2020 and 2019, respectively. The fair value was not evaluated by an independent appraiser; the Group evaluated it with reference to the market evidence of similar real estate transaction prices.

The investment properties were leased out for 1 to 3 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2020 and 2019, guarantee deposits received by the Group for operating lease contracts were both amounted to \$3,932 thousand.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Year 1	\$ 15,183	\$ 14,504
Year 2	1,855	1,816
Year 3	<u>714</u>	<u>-</u>
	<u>\$ 17,752</u>	<u>\$ 16,320</u>

The Group has freehold interest in all of its investment property. Refer to Note 29 for the carrying amount of investment properties pledged to secure general banking facilities granted to the Group.

## 18. OTHER ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Prepayments	\$ 33,001	\$ 48,017
Temporary payments and payments on behalf of others	989	1,158
Others	<u>6,537</u>	<u>759</u>
	<u>\$ 40,527</u>	<u>\$ 49,934</u>
<u>Non-current</u>		
Refundable deposits	\$ 11,741	\$ 10,109
Prepayments for equipment	15,427	30,401
Others	<u>39</u>	<u>43</u>
	<u>\$ 27,207</u>	<u>\$ 40,553</u>

## 19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Other payables		
Payable for purchase of equipment	\$ 2,685	\$ 2,984
Salaries or bonuses	40,180	33,751
Payable for commissions	3,831	4,255
Payable for retirement and others	<u>38,511</u>	<u>42,475</u>
	<u>\$ 85,207</u>	<u>\$ 83,465</u>
Other liabilities		
Contract liabilities (Note)	\$ 18,068	\$ 13,491
Temporary receipts	4,928	2,728
Others	<u>728</u>	<u>642</u>
	<u>\$ 23,724</u>	<u>\$ 16,861</u>
<u>Non-current</u>		
Other liabilities		
Net defined benefit liabilities (Note 20)	\$ 30,744	\$ 31,207
Guarantee deposits received (Note 17)	<u>3,932</u>	<u>3,932</u>
	<u>\$ 34,676</u>	<u>\$ 35,139</u>

Note: Contract liabilities under other liabilities are collections in advance for the sale of goods.

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company and Muchonfarm Incorporated Limited adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company and Muchonfarm Incorporated Limited make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present Value of the Defined Benefit Obligation	\$ 84,492	\$ 88,411
Fair value of the plan assets	<u>(53,748)</u>	<u>(57,204)</u>
Deficit	<u>30,744</u>	<u>31,207</u>
Net defined benefit liabilities	<u>\$ 30,744</u>	<u>\$ 31,207</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2019	\$ 84,301	\$ (56,459)	\$ 27,842
Service cost			
Current service cost	857	-	857
Net interest expense (income)	<u>843</u>	<u>(570)</u>	<u>273</u>
Recognized in profit or loss	<u>1,700</u>	<u>(570)</u>	<u>1,130</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,127)	(2,127)
Actuarial (gain) loss - changes in demographic assumptions	306	-	306
Actuarial (gain) loss - changes in financial assumptions	2,181	-	2,181
Actuarial (gain) loss - experience adjustments	<u>3,010</u>	<u>-</u>	<u>3,010</u>
Recognized in other comprehensive income	<u>5,497</u>	<u>(2,127)</u>	<u>3,370</u>
Contributions from the employer	-	(1,135)	(1,135)
Benefits paid	<u>(3,087)</u>	<u>3,087</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 88,411</u>	<u>\$ (57,204)</u>	<u>\$ 31,207</u>
Balance at January 1, 2020	\$ 88,411	\$ (57,204)	\$ 31,207
Service cost			
Current service cost	810	-	810
Net interest expense (income)	<u>663</u>	<u>(433)</u>	<u>230</u>
Recognized in profit or loss	<u>1,473</u>	<u>(433)</u>	<u>1,040</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,880)	(1,880)
Actuarial (gain) loss - changes in demographic assumptions	229	-	229
Actuarial (gain) loss - changes in financial assumptions	2,016	-	2,016
Actuarial (gain) loss - experience adjustments	<u>(769)</u>	<u>-</u>	<u>(769)</u>
Recognized in other comprehensive income	<u>1,476</u>	<u>(1,880)</u>	<u>(404)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Contributions from the employer	\$ -	\$ (1,099)	\$ (1,099)
Benefits paid	<u>(6,868)</u>	<u>6,868</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 84,492</u>	<u>\$ (53,748)</u>	<u>\$ 30,744</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 781	\$ 801
Selling and marketing expenses	167	179
General and administrative expenses	62	102
Research and development expenses	<u>30</u>	<u>48</u>
	<u>\$ 1,040</u>	<u>\$ 1,130</u>

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

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2%	2%

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (2,017)</u>	<u>\$ (2,183)</u>
0.25% decrease	<u>\$ 2,090</u>	<u>\$ 2,264</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,023</u>	<u>\$ 2,196</u>
0.25% decrease	<u>\$ (1,963)</u>	<u>\$ (2,129)</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 1,104</u>	<u>\$ 1,100</u>
The average duration of the defined benefit obligation	9.6 years	10 years

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of authorized shares (in thousands)	<u>320,000</u>	<u>320,000</u>
Amount of authorized shares	<u>\$ 3,200,000</u>	<u>\$ 3,200,000</u>
Number of issued and fully paid shares (in thousands)	<u>240,865</u>	<u>240,865</u>
Amount of issued and fully paid shares	<u>\$ 2,408,647</u>	<u>\$ 2,408,647</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	\$ 355,183	\$ 427,441
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interest in subsidiaries (2)	159	159
Arising from share of changes in capital surplus of associates	<u>4,035</u>	<u>4,035</u>
	<u>\$ 359,377</u>	<u>\$ 431,635</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using equity method.

c. Retained earnings and dividends policy

The Company considers the needs of the environment and the characteristics of the industry and long-term financial planning, dividend policy, measure of investment funds, financial structure, and surplus situation before it decides on the amount and type of surplus distribution.

Under the dividend policy as set forth in the Articles, when the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting losses of previous years. The Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profit, first set aside 10% of such profit as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. In addition to the aforesaid legal reserve, the Company appropriates another sum as a special reserve. Finally, any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses of shareholders. Cash dividends shall not be less than 10% of total dividends distributed. For the policies on distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 23-h.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. If the Company has no deficit, and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Order No. 1010012865, Order No. 1010047490 and Order No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve.

The appropriation of earnings for 2019 and compensation of deficits for 2018 were approved in the shareholders' meetings on June 29, 2020 and June 24, 2019, respectively, were as follows:

	<b>Appropriation of Earnings For Year 2019</b>	<b>Compensation of Deficits For Year 2018</b>
Legal reserve	\$ <u>6,794</u>	\$ <u>-</u>
Special reserve (reversed)	\$ <u>(210,093)</u>	\$ <u>84,839</u>

The Company's shareholders in their meetings on June 29, 2020 and June 24, 2019 also resolved to issue cash dividends from the capital surplus of \$72,258 thousand and \$72,260 thousand, respectively.

The appropriations of earnings for 2020 are proposed by the Company's board of directors and subject to the resolution of the shareholders' meeting to be held on June 28, 2021.

## 22. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Wires and cables revenue	\$ 2,802,428	\$ 2,736,852
Rental revenue	15,991	15,749
Others	<u>4,528</u>	<u>5,135</u>
	<u>\$ 2,822,947</u>	<u>\$ 2,757,736</u>

### Contract Balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes and trade receivables (Note 10)	\$ <u>317,030</u>	\$ <u>540,289</u>	\$ <u>386,504</u>
Contract assets - current			
Sale of wires and cables	\$ <u>240,070</u>	\$ <u>155,721</u>	\$ <u>-</u>



## 23. NET PROFIT

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 2,732	\$ 5,898
Others	<u>26</u>	<u>20</u>
	<u>\$ 2,758</u>	<u>\$ 5,918</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividends	\$ 28,766	\$ 21,284
Others	<u>9,641</u>	<u>10,612</u>
	<u>\$ 38,407</u>	<u>\$ 31,896</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets mandatorily classified as at FVTPL	\$ 23,067	\$ 19,998
Net foreign exchange gains (losses)	1,770	(1,815)
(Loss) gain on disposal of property, plant and equipment	(8,674)	1,432
Loss on disposal of associates	-	(6,539)
Impairment loss on property, plant and equipment	-	(14,718)
Others	<u>(3,675)</u>	<u>(6,384)</u>
	<u>\$ 12,488</u>	<u>\$ (8,026)</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ 319	\$ 386
Interest on deposits	<u>41</u>	<u>41</u>
	<u>\$ 360</u>	<u>\$ 427</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 70,956	\$ 86,888
Operating expenses	<u>4,996</u>	<u>6,022</u>
	<u>\$ 75,952</u>	<u>\$ 92,910</u>
An analysis of amortization by function		
Operating costs	<u>\$ 17</u>	<u>\$ 17</u>

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses of investment properties generating rental income	<u>\$ 4,698</u>	<u>\$ 5,330</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 5,861	\$ 5,494
Defined benefit plans (Note 20)	<u>1,040</u>	<u>1,130</u>
	6,901	6,624
Other employee benefits	<u>190,256</u>	<u>175,828</u>
Total employee benefits expense	<u>\$ 197,157</u>	<u>\$ 182,452</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 143,181	\$ 134,150
Operating expenses	<u>53,976</u>	<u>48,302</u>
	<u>\$ 197,157</u>	<u>\$ 182,452</u>

h. Compensation of employees and remuneration of directors

According to the Company's Articles, where the Company made a profit in a fiscal year, it distributes compensation of employees at the rate of no less than 1% and no higher than 5% and remuneration of directors at the rate of no higher than 2.5% of net profit before income tax. The compensation of employees is calculated based on the remaining balance of the current year's profit (i.e., profit before income tax prior to the distribution of compensation of employees and remuneration of directors) minus accumulated deficits.

The compensation of employees and remuneration of directors for the year ended December 31, 2020 are subject to the approval by the Company's board of directors. The compensation of employees and remuneration of directors for the year ended December 31, 2019 were approved by the Company's board of directors on May 12, 2020 as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Compensation of employees	2.93%	4.36%
Remuneration of directors	1.17%	2.16%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 9,000	\$ 3,800
Remuneration of directors	3,600	1,880

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

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

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

i. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Foreign exchange gains	\$ 6,807	\$ 2,500
Foreign exchange losses	<u>(5,037)</u>	<u>(4,315)</u>
	<u>\$ 1,770</u>	<u>\$ (1,815)</u>

## 24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 45,496	\$ 4,965
Adjustments for prior year	-	(1,049)
Deferred tax		
In respect of the current year	<u>6,687</u>	<u>9,559</u>
Income tax expense recognized in profit or loss	<u>\$ 52,183</u>	<u>\$ 13,475</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 294,163</u>	<u>\$ 81,417</u>
Income tax expense calculated at the statutory rate	\$ 58,833	\$ 16,283
Non-deductible expenses in determining taxable income	-	38
Tax-exempt income	(5,753)	(4,257)
Unrecognized deductible temporary differences	(897)	2,460
Adjustments for prior years' tax	<u>-</u>	<u>(1,049)</u>
Income tax expense recognized in profit or loss	<u>\$ 52,183</u>	<u>\$ 13,475</u>

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

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ 81</u>	<u>\$ (674)</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ 81</u>	<u>\$ (674)</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	<u>\$ 42,955</u>	<u>\$ 1,970</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized investment losses	\$ 3,630	\$ 311	\$ -	\$ 3,941
Inventory write-downs	18,000	(1,900)	-	16,100
Unrealized valuation losses	2,061	(2,061)	-	-
Defined benefit plans	7,773	(12)	(81)	7,680
Others	<u>887</u>	<u>(472)</u>	<u>-</u>	<u>415</u>
	<u>\$ 32,351</u>	<u>\$ (4,134)</u>	<u>\$ (81)</u>	<u>\$ 28,136</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized valuation gains	\$ -	\$ 2,553	\$ -	\$ 2,553

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized investment losses	\$ 3,229	\$ 401	\$ -	\$ 3,630
Inventory write-downs	24,500	(6,500)	-	18,000
Unrealized valuation losses	6,060	(3,999)	-	2,061
Defined benefit plans	7,100	(1)	674	7,773
Others	<u>347</u>	<u>540</u>	<u>-</u>	<u>887</u>
	<u>\$ 41,236</u>	<u>\$ (9,559)</u>	<u>\$ 674</u>	<u>\$ 32,351</u>

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Deductible temporary differences		
Unrealized investment losses	\$ 326,643	\$ 325,267
Impairment of assets	<u>29,299</u>	<u>35,160</u>
	<u>\$ 355,942</u>	<u>\$ 360,427</u>

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss carryforwards		
Expiry in 2020	\$ -	\$ 2,323
Expiry in 2021	4,876	4,876
Expiry in 2022	4,512	4,512
Expiry in 2023	2,893	2,893
Expiry in 2024	7,905	7,905
Expiry in 2025	5,984	5,984
Expiry in 2026	2,007	2,007
Expiry in 2027	3,536	3,536
Expiry in 2028	1,965	1,965
Expiry in 2029	2,282	2,282
Expiry in 2030	<u>1,877</u>	<u>-</u>
	<u>\$ 37,837</u>	<u>\$ 38,283</u>

f. Income tax assessments

The income tax returns of the Company through 2018 have been assessed and cleared by the tax authorities.

The income tax returns of Muchonfarm Inc. through 2019 have been assessed and cleared by the tax authorities.

## 25. EARNINGS PER SHARE

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit for the year attributable to owners of the Company	<u>\$ 241,980</u>	<u>\$ 67,942</u>

### Weighted Average Number of Ordinary Shares Outstanding

(In Thousands of Shares)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	240,865	240,865
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued	<u>849</u>	<u>443</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>241,714</u>	<u>241,308</u>

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

## 26. CAPITAL MANAGEMENT

In consideration of the industry dynamics, the Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to find its working capital needs, capital assets purchases, research and development activities, and dividend payments associated with its existing operations over the next 12 months.

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

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

#### 1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Gold investment account	\$ 167,508	\$ -	\$ -	\$ 167,508
Financial assets at FVTOCI				
Listed securities in the ROC				
Equity securities	876,443	-	-	876,443
Unlisted securities in the ROC				
Equity securities	-	-	231,660	231,660
Preference shares	-	-	9,175	9,175
	<u>\$ 1,043,951</u>	<u>\$ -</u>	<u>\$ 240,835</u>	<u>\$ 1,284,786</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Gold investment account	\$ 144,441	\$ -	\$ -	\$ 144,441
Financial assets at FVTOCI				
Listed securities in the ROC				
Equity securities	498,706	-	-	498,706
Unlisted securities in the ROC				
Equity securities	-	-	188,232	188,232
Preference shares	-	-	13,149	13,149
	<u>\$ 643,147</u>	<u>\$ -</u>	<u>\$ 201,381</u>	<u>\$ 844,528</u>

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

	<b>Financial Assets at FVTOCI Equity Instruments</b>
<u>Financial assets</u>	
Balance at January 1, 2020	\$ 201,381
Disposals/settlements	(4,694)
Return of shares after capital reduction	(9,253)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>53,401</u>
Balance at December 31, 2020	<u>\$ 240,835</u>

For the year ended December 31, 2019

	<b>Financial Assets at FVTOCI Equity Instruments</b>
<u>Financial assets</u>	
Balance at January 1, 2019	\$ 207,152
Disposals/settlements	(29,179)
Return of shares after capital reduction	(16,986)
Transferred to Level 1	(21,290)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>61,684</u>
Balance at December 31, 2019	<u>\$ 201,381</u>



3) Valuation techniques and inputs applied for Level 3 fair value measurement

Domestic unlisted shares were valued using the market approach. The estimates and assumptions used by the Group under the market approach are consistent with those used by market participants in the pricing of financial instruments.

c. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 167,508	\$ 144,441
Financial assets at amortized cost (Note 1)	1,052,596	1,274,217
Financial assets at FVTOCI	1,117,278	700,087
<u>Financial liabilities</u>		
Amortized cost (Note 2)	311,979	444,980

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables, amounts due from customers for construction contracts, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise notes payable, trade payables, amounts due to customers for constructions contracts, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors.

1) Market risk

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

a) Foreign currency risk

With regard to the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation), refer to Note 33.

Sensitivity analysis

The Group is mainly exposed to the USD and JPY.

The following table details the Group's sensitivity to a 2% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 2% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period under the assumption of a 2% change in foreign currency rates. A positive number below indicates an increase/decrease in pre-tax profit/loss when New Taiwan dollars strengthened by 2% against the relevant currency. For a 2% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit/loss and the balances below would be negative.

	<u>USD Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit or loss	\$ (457)	\$ 1,436	\$ 152	\$ -

The amounts were mainly attributable to the outstanding receivables and payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency risk in 2020 has not changed significantly from the prior year.

b) Interest rate risk

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial assets	\$ 487,200	\$ 557,867
Cash flow interest rate risk		
Financial assets	232,731	152,706

### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A sensitivity rate of 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit/loss for the years ended December 31, 2020 and 2019 would have increased/decreased by \$582 thousand and \$382 thousand, respectively, which was mainly a result of variable-rate bank deposits.

The Group's sensitivity to interest rate risk in 2020 has not changed significantly from the prior year.

#### c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group has appointed a special team to monitor the price risk and make plans to manage the price risk.

### Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to the price risks of the aforementioned investments at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,675 thousand and \$1,444 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$8,764 thousand and \$4,987 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to investments in equity securities in 2020 has not changed significantly from the prior year.

#### 2) Credit risk

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

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

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

The Group adopted a policy of only dealing with government agencies and creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above.

Refer to Note 10 for impairment assessment of individual customer receivables.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities of \$1,143,507 thousand and \$1,113,198 thousand, respectively.

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Young Fast Optoelectronics Co., Ltd. (Young Fast)	Other related party (the Company is the corporate director)
Taiwan SRU Corp. Ltd. (SRU)	Other related party (related party in substance)
Bond-Galv Industrial Co., Ltd. (Bond-Galv)	Other related party (corporate director of the Company)

b. Operating revenue

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Sales	Other related parties	\$ <u>294</u>	\$ <u>90</u>
Rental revenue	Other related parties		
	Young Fast	\$ 10,081	\$ 10,039
	SRU	<u>1,719</u>	<u>1,719</u>
		\$ <u>11,800</u>	\$ <u>11,758</u>

Sales were made at discounted market price to reflect the quantity of goods sold and the relationships between the parties.

Terms of sales from related parties were similar to those from third parties.

The Group rented houses to related parties. The amount of rent was agreed by both parties.

Terms of rent collection from related parties were similar to those from third parties.

As of December 31, 2020 and 2019, guarantee deposits received from the renting of houses to related parties were as follows:

Line Item	Related Party Category/Name	December 31	
		2020	2019
Guarantee deposits received	Other related parties		
	Young Fast	\$ 3,000	\$ 3,000
	SRU	<u>450</u>	<u>450</u>
		\$ <u>3,450</u>	\$ <u>3,450</u>

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2020	2019
Other related parties	\$ <u>131,933</u>	\$ <u>72,540</u>

Purchases were made at discounted market prices to reflect the quantity of goods purchased and the relationships between the parties.

Terms of purchases from related parties were similar to those from third parties.

d. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade payables to related parties	Other related parties Young Fast	\$ <u>-</u>	\$ <u>27,069</u>

The outstanding payables to related parties were unsecured.

e. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ <u>23,579</u>	\$ <u>15,263</u>

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

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been mortgaged as collateral for long- and short-term bank credit lines, performance guaranty, and a deposit for management and maintenance of public open space:

	December 31	
	2020	2019
Financial assets at amortized cost - current		
Pledged time deposits	\$ -	\$ 2,986
Property, plant and equipment		
Freehold land	170,737	170,737
Buildings, net	450,448	468,147
Investment properties		
Freehold land	51,692	51,692
Buildings, net	<u>21,417</u>	<u>22,031</u>
	\$ <u>694,294</u>	\$ <u>715,593</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to the following:

	December 31	
	2020	2019
USD	\$ <u>3,423</u>	\$ <u>3,257</u>
JPY	\$ <u>36,600</u>	\$ <u>35,352</u>

b. Unrecognized commitments for purchase of property, plant and equipment amounted to the following:

	<u>December 31</u>	
	2020	2019
NTD	<u>\$ 54,123</u>	<u>\$ 24,859</u>

c. Unrecognized contractual commitments of contracts entered into between the Group and the subcontractors are as follows:

	<u>December 31</u>	
	2020	2019
NTD	<u>\$ 190,624</u>	<u>\$ 221,273</u>

d. In accordance with the customs import tariff of the post-release duty payment for imported goods, the bank issued a letter of guarantee on behalf of the Group to the customs. The endorsement/guarantee amount was as follows:

	<u>December 31</u>	
	2020	2019
NTD	<u>\$ 5,000</u>	<u>\$ 5,000</u>

**31. SIGNIFICANT LOSSES FROM DISASTERS: NONE**

**32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE**

**33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 792	28.43	\$ 22,521
JPY	64,846	0.27	<u>17,787</u>
			<u>\$ 40,308</u>
Non-monetary items			
Investments accounted for using the equity method			
HKD	155	3.67	<u>\$ 570</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,590	28.53	\$ 45,349
JPY	36,650	0.28	<u>10,200</u>
			<u>\$ 55,549</u>

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,246	29.93	<u>\$ 127,073</u>
Non-monetary items			
Investments accounted for using the equity method			
HKD	95	3.85	<u>\$ 366</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,840	30.03	<u>\$ 55,249</u>

The Group is mainly exposed to the USD and JPY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rate between the respective functional currency and the presentation currency was disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Functional Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	<u>\$ 1,770</u>	1 (NTD:NTD)	<u>\$ (1,815)</u>

### 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities) (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)



- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
  - 9) Trading in derivative instruments: None.
  - 10) Intercompany relationships and significant intercompany transactions: As the transaction amounts are not significant, they are not separately disclosed.
- b. Information on investees (Table 3)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: None.
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 4)

### **35. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

a. Segment revenue and results:

The information of the Group's revenue and results by segment was as follows:

For the year ended December 31, 2020

	<b>Wires and Cables Segment</b>	<b>Others Segment</b>	<b>Total</b>
Segment revenue	\$ 2,802,428	\$ 20,519	<u>\$ 2,822,947</u>
Segment income	233,708	6,934	\$ 240,642
Interest income			2,758
Other gains and losses			50,895
Finance costs			(360)
Share of profit of associates accounted for using the equity method			<u>228</u>
Profit before tax			<u>\$ 294,163</u>

For the year ended December 31, 2019

	<b>Wires and Cables Segment</b>	<b>Others Segment</b>	<b>Total</b>
Segment revenue	\$ 2,736,852	\$ 20,884	<u>\$ 2,757,736</u>
Segment income	52,949	6,131	\$ 59,080
Interest income			5,918
Other gains and losses			23,870
Finance costs			(427)
Share of loss of associates accounted for using the equity method			<u>(7,024)</u>
Profit before tax			<u>\$ 81,417</u>

The revenue above was generated from transactions with external customers.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs, share of profit of associates, interest income, dividend income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, foreign exchange gains or losses, finance costs, other gains and losses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The amounts of the Group's assets and liabilities are not used in the management's decision-making; therefore, the amounts of assets and liabilities were zero.

c. Other segment information

	<b>Depreciation and Amortization</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Wires and cables segment	\$ <u>71,616</u>	\$ <u>88,667</u>

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	Wires and cables segment	\$ <u>2,802,428</u>

e. Geographical information

The Group mainly operates in Taiwan, Europe, USA, and Asia.

The Group's revenue from external customers by location is detailed below:

	<b>Revenue from External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Taiwan	\$ 2,645,089	\$ 2,615,341
Europe	31,079	31,288
USA	44,306	92,197
Asia	102,473	18,131
Others	<u>-</u>	<u>779</u>
	<u>\$ 2,822,947</u>	<u>\$ 2,757,736</u>

f. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Sales</b>	<b>%</b>	<b>Sales</b>	<b>%</b>
Customer A	\$ 1,517,943	54	\$ 1,194,682	43
Customer B	NA (Note)	NA (Note)	297,879	11

Note: The amount of revenue is less than 10% of the Group's revenue.

## HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

### MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars/Shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	% of Ownership	Fair Value	
Hold-Key Electric Wire & Cable Co., Ltd.	G-Shank Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	565	\$ 11,696	0.31	\$ 11,696	
	Nishoku Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	164	17,876	0.26	17,876	
	Taiwan Cooperative Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	3,133	63,751	0.02	63,751	
	Global Mixed-Mode Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	70	11,165	0.08	11,165	
	Sinher Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	185	8,676	0.25	8,676	
	DrayTek Company	-	Financial assets at fair value through other comprehensive income - current	253	6,578	0.29	6,578	
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	56	2,512	0.03	2,512	
	Mega Financial Holding Company Ltd.	-	Financial assets at fair value through other comprehensive income - current	150	4,470	0.00	4,470	
	Young Fast Optoelectronics Co., Ltd.	The Company is the corporate director	Financial assets at fair value through other comprehensive income - non-current	20,415	698,187	13.49	698,187	
	MagiCap Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	73	9,175	1.78	9,175	
	Sol Young Enterprises Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	3,652	135,622	5.60	135,622	
	Bond-Galv Industrial Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	1,797	64,199	11.46	64,199	
	Fuzetec Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,091	51,532	3.47	51,532	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through other comprehensive income - non-current	743	9,976	3.32	9,976	
	Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	826	21,563	5.50	21,563	
	Taiwan Submarine Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	30	<u>300</u>	6.67	300	
						<u>\$ 1,117,278</u>		

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Hold-Key Electric Wire & Cable Co., Ltd.	Young Fast Optoelectronics Co., Ltd.	The Company is the corporate director	Purchase	\$ 131,933	6.65	Payment in 60 days after acceptance	Note	Equivalent	\$ -	-	

Note: It is an agreement between the two parties.

## HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

### INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, U.S. Dollars and Hong Kong Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	% of Ownership	Carrying Amount			
Hold-Key Electric Wire & Cable Co., Ltd.	Holdkey (Belize) Investments Limited	Belize City	Investment	\$ 346,448 (US\$ 10,237) (HK\$ 1,000)	\$ 346,448 (US\$ 10,237) (HK\$ 1,000)	9,971	100.00	\$ 4,967	\$ 179	\$ 179	Subsidiary
	Muchonfarm Inc.	3F., No. 36-10, Sec. 1, Fuxing S. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Agriculture	87,250	87,250	13,000	100.00	50,533	(3,111)	(3,111)	Subsidiary
Holdkey (Belize) Investments Limited	Midori Mark (H.K.) Limited	Unit 2911, Tower 2 Metroplaza, 223 Hing Fong Rd., Kwai Fong, N.T., Hong Kong	Trading of various panels	US\$ 539	US\$ 539	2,325	21.83	570	1,046	228	

**TABLE 4****HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sol Young Enterprises Co., Ltd.	77,556,914	32.19

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

The stand-alone financial statements of the Company for the most recent year, audited and attested by CPA,

- (I) CPA's audit report
- (II) Balance sheets
- (III) Comprehensive income statement
- (IV) Statement of changes in equity
- (V) Cash flow statement
- (VI) Note



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Hold-Key Electric Wire & Cable Co., Ltd.

### **Opinion**

We have audited the accompanying financial statements of Hold-Key Electric Wire & Cable Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

### **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 the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

### Revenue Recognition

The Company's revenue from sales of wires and cables to contractors of domestic government projects is recognized upon customers' acceptance of the products in accordance with the agreement. As the amount of revenue is significant to the financial statements, the occurrence of revenue recognition was deemed as a key audit matter for the year ended December 31, 2020.

To address this matter, we evaluated the Company's revenue recognition policy and the design and implementation of internal controls for this type of revenue. We selected samples of the recorded sales revenue and verified them against the contract, customers' acceptance documents, sales orders, etc., and confirmed the occurrence of revenue transactions.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Tza-Li Gung and Wen-Yuan Chuang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2021

Notice to Readers

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

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

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 677,966	13	\$ 662,288	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	167,508	3	144,441	3
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	126,724	3	118,679	3
Financial assets at amortized cost - current (Notes 4, 9 and 28)	14,000	-	16,986	-
Contract assets - current (Notes 4 and 21)	240,070	5	155,721	3
Notes receivable (Notes 4, 10 and 21)	26,483	-	38,547	1
Trade receivables (Notes 4, 10 and 21)	290,463	6	501,587	11
Amounts due from customers for construction contracts (Note 11)	-	-	3,203	-
Other receivables (Note 10)	2,936	-	9,286	-
Inventories (Notes 4, 5 and 12)	755,907	15	817,480	18
Other current assets (Note 17)	38,417	1	48,255	1
<b>Total current assets</b>	<b>2,340,474</b>	<b>46</b>	<b>2,516,473</b>	<b>54</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	990,554	20	581,408	13
Investments accounted for using the equity method (Notes 4 and 13)	55,500	1	58,689	1
Property, plant and equipment (Notes 4, 14 and 28)	1,389,644	28	1,175,721	25
Right-of-use assets (Notes 4 and 15)	4,928	-	21,706	1
Investment properties (Notes 4, 16 and 28)	192,936	4	195,156	4
Deferred tax assets (Notes 4, 5 and 23)	28,136	1	32,351	1
Other non-current assets (Note 17)	27,043	-	40,385	1
<b>Total non-current assets</b>	<b>2,688,741</b>	<b>54</b>	<b>2,105,416</b>	<b>46</b>
<b>TOTAL</b>	<b>\$ 5,029,215</b>	<b>100</b>	<b>\$ 4,621,889</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable	\$ 290	-	\$ 171	-
Trade payables to unrelated parties	220,435	4	319,311	7
Trade payables to related parties (Note 27)	-	-	27,069	1
Amounts due to customers for construction contracts (Note 11)	2,066	-	10,802	-
Other payables (Note 18)	82,575	2	80,675	2
Current tax liabilities (Notes 4 and 23)	42,955	1	1,970	-
Lease liabilities - current (Notes 4 and 15)	2,809	-	6,254	-
Other current liabilities (Note 18)	23,001	-	15,654	-
<b>Total current liabilities</b>	<b>374,131</b>	<b>7</b>	<b>461,906</b>	<b>10</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 23)	2,553	-	-	-
Lease liabilities - non-current (Notes 4 and 15)	2,261	-	15,622	-
Other non-current liabilities (Notes 18, 19 and 27)	34,676	1	35,139	1
<b>Total non-current liabilities</b>	<b>39,490</b>	<b>1</b>	<b>50,761</b>	<b>1</b>
<b>Total liabilities</b>	<b>413,621</b>	<b>8</b>	<b>512,667</b>	<b>11</b>
<b>EQUITY (Notes 4, 8 and 20)</b>				
Ordinary shares	2,408,647	48	2,408,647	52
Capital surplus	359,377	7	431,635	9
Retained earnings				
Legal reserve	307,990	6	301,196	7
Special reserve	11,237	-	221,330	5
Unappropriated earnings	1,207,765	24	757,651	16
Total retained earnings	1,526,992	30	1,280,177	28
Other equity	320,578	7	(11,237)	-
<b>Total equity</b>	<b>4,615,594</b>	<b>92</b>	<b>4,109,222</b>	<b>89</b>
<b>TOTAL</b>	<b>\$ 5,029,215</b>	<b>100</b>	<b>\$ 4,621,889</b>	<b>100</b>

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

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)	\$ 2,818,659	100	\$ 2,752,856	100
OPERATING COSTS (Notes 12, 19, 22 and 27)	<u>2,474,138</u>	<u>88</u>	<u>2,581,613</u>	<u>94</u>
GROSS PROFIT	<u>344,521</u>	<u>12</u>	<u>171,243</u>	<u>6</u>
OPERATING EXPENSES (Notes 19, 22 and 27)				
Selling and marketing expenses	56,281	2	63,444	2
General and administrative expenses	38,492	1	37,263	2
Research and development expenses	<u>4,460</u>	<u>-</u>	<u>6,885</u>	<u>-</u>
Total operating expenses	<u>99,233</u>	<u>3</u>	<u>107,592</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>245,288</u>	<u>9</u>	<u>63,651</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	2,551	-	5,651	-
Other income (Note 22)	37,064	1	31,525	1
Other gains and losses (Note 22)	12,488	1	(1,458)	-
Finance costs (Note 22)	(296)	-	(361)	-
Share of loss of subsidiaries (Note 13)	<u>(2,932)</u>	<u>-</u>	<u>(17,591)</u>	<u>-</u>
Total non-operating income and expenses	<u>48,875</u>	<u>2</u>	<u>17,766</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	294,163	11	81,417	3
INCOME TAX EXPENSE (Notes 4, 5 and 23)	<u>52,183</u>	<u>2</u>	<u>13,475</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>241,980</u>	<u>9</u>	<u>67,942</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	323	-	(2,696)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	336,584	12	199,036	7

(Continued)

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (257)	-	\$ (41)	-
Other comprehensive income for the year, net of income tax	<u>336,650</u>	<u>12</u>	<u>196,299</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 578,630</u>	<u>21</u>	<u>\$ 264,241</u>	<u>10</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 1.00</u>		<u>\$ 0.28</u>	
Diluted	<u>\$ 1.00</u>		<u>\$ 0.28</u>	

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

(Concluded)

## HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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

	Retained Earnings						Other Equity		Total	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
					Earnings			Total		
BALANCE AT JANUARY 1, 2019	\$ 2,408,647	\$ 503,895	\$ 301,196	\$ 136,491	\$ 788,342	\$ 1,226,029	\$ 6,103	\$ (227,433)	\$ (221,330)	\$ 3,917,241
Appropriation of the 2018 earnings Special reserve	-	-	-	84,839	(84,839)	-	-	-	-	-
Issuance of cash dividends from capital surplus	-	(72,260)	-	-	-	-	-	-	-	(72,260)
Net profit for the year ended December 31, 2019	-	-	-	-	67,942	67,942	-	-	-	67,942
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,696)	(2,696)	(41)	199,036	198,995	196,299
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	65,246	65,246	(41)	199,036	198,995	264,241
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(11,098)	(11,098)	-	11,098	11,098	-
BALANCE AT DECEMBER 31, 2019	2,408,647	431,635	301,196	221,330	757,651	1,280,177	6,062	(17,299)	(11,237)	4,109,222
Appropriation of the 2019 earnings Legal reserve	-	-	6,794	-	(6,794)	-	-	-	-	-
Reversal of special reserve	-	-	-	(210,093)	210,093	-	-	-	-	-
Issuance of cash dividends from capital surplus	-	(72,258)	-	-	-	-	-	-	-	(72,258)
Net profit for the year ended December 31, 2020	-	-	-	-	241,980	241,980	-	-	-	241,980
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	323	323	(257)	336,584	336,327	336,650
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	242,303	242,303	(257)	336,584	336,327	578,630
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	4,512	4,512	-	(4,512)	(4,512)	-
BALANCE AT DECEMBER 31, 2020	\$ 2,408,647	\$ 359,377	\$ 307,990	\$ 11,237	\$ 1,207,765	\$ 1,526,992	\$ 5,805	\$ 314,773	\$ 320,578	\$ 4,615,594

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



# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 294,163	\$ 81,417
Adjustments for:		
Depreciation expenses	74,364	91,303
(Reversal of) expected credit loss on trade receivables	(2,089)	2,607
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(23,067)	(19,998)
Finance costs	296	361
Interest income	(2,551)	(5,651)
Dividend income	(28,766)	(21,284)
Share of (profit) loss of subsidiaries	2,932	17,591
Loss (gain) on disposal of property, plant and equipment	8,674	(1,432)
Impairment loss recognized on property, plant and equipment	-	14,718
Write-downs of inventories	1,850	4,812
Reversal of write-downs of inventories	(9,500)	(32,500)
Net loss (gain) on foreign currency exchange	421	(723)
Other non-cash items	(8)	-
Changes in operating assets and liabilities		
Contract assets	(84,599)	(155,721)
Notes receivable	12,020	(18,058)
Trade receivables	213,189	(138,452)
Amounts due from customers for construction contracts	3,203	210
Other receivables	6,098	(7,688)
Inventories	69,223	(204,500)
Other current assets	9,838	(23,583)
Notes payable	119	(1,358)
Trade payables	(126,045)	179,155
Amounts due to customers for construction contracts	(8,736)	(2,115)
Other payables	2,198	14,931
Other current liabilities	7,347	(2,245)
Other non-current liabilities	(59)	(5)
Cash generated from (used in) operations	420,515	(228,208)
Interest paid	(296)	(361)
Income tax paid	(4,511)	(8,402)
Net cash generated from (used in) operating activities	<u>415,708</u>	<u>(236,971)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(94,554)	(50,551)
Proceeds from sale of financial assets at fair value through other comprehensive income	4,694	46,270
Proceeds from capital reduction by return of shares - financial assets at FVTOCI	9,253	16,986
Purchase of financial assets at amortized cost	(28,000)	(57,375)

(Continued)

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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

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	2020	2019
Proceeds from sale of financial assets at amortized cost	\$ 30,986	\$ 57,375
Payments for property, plant and equipment	(258,078)	(39,898)
Proceeds from sale of property, plant and equipment	-	1,917
Increase in refundable deposits	(14,189)	(30,919)
Decrease in refundable deposits	12,557	34,421
Payments for investment properties	(529)	(2,000)
Increase in prepayments for equipment	(15,427)	(23,954)
Interest received	2,801	5,633
Other dividends received	<u>28,766</u>	<u>21,284</u>
Net cash used in investing activities	<u>(321,720)</u>	<u>(20,811)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from guarantee deposits received	45	138
Refunds of guarantee deposits received	(45)	(138)
Repayment of the principal portion of lease liabilities	(6,052)	(5,913)
Cash dividends from capital surplus	<u>(72,258)</u>	<u>(72,260)</u>
Net cash used in financing activities	<u>(78,310)</u>	<u>(78,173)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,678	(335,955)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>662,288</u>	<u>998,243</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 677,966</u>	<u>\$ 662,288</u>

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

(Concluded)

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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

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### 1. GENERAL INFORMATION

Hold-Key Electric Wire & Cable Co., Ltd. (the “Company”) was established in Taipei, Taiwan in March 1989 and its factories are located in Taoyuan, Taiwan. The Company mainly manufactures and sells XLPE power cables, electric cables, aluminum cables, rubber cables, communication cables, fiber optic cables, LAN cables, cable accessories, etc. and is also engaged in the import and export trade of the aforementioned products.

The Company’s shares are listed and have been traded on the Taiwan Stock Exchange since September 2000.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and authorized for issue on March 22, 2021.

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

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

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

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

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

The initial application of the aforementioned amendments did not have material impact on the Company’s assets, liabilities and equity as of January 1, 2021

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

New IFRSs	Effective Date Announced by IASB (Note)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 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.

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

The Company is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Company's construction-related assets and liabilities.

d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated using the exchange rate at the date of the transaction.

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

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing of control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

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

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

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

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

g. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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



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

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories and property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

j. Financial instruments

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

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

## Financial assets

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

### 1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

Fair value is determined in the manner described in Note 26.

#### b) Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets and contract assets

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### 3) Derecognition of financial assets

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

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

#### Equity instruments

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

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

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

#### Financial liabilities

##### 1) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

##### 2) Derecognition of financial liabilities

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

k. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electric wires and cables. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location or when the cables have been installed and examined by the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue and contract assets are recognized concurrently. Any amounts previously recognized as contract assets are subsequently reclassified to trade receivables when invoices are issued. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from cable and wire installation services. Revenue from the installation of electric wires and cables and contract assets are recognized concurrently when the installation has been completed and examined by the customer. Contract assets are subsequently reclassified to trade receivables when invoices are issued.

l. Leases

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

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

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

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

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

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

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

n. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

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

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

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

### 3) Current and deferred taxes

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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



## Key Sources of Estimation Uncertainty

### a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience for the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value. Refer to Note 12 for the Company's carrying amount of inventories as of December 31, 2020 and 2019.

### b. Income taxes

As of December 31, 2020 and 2019, the carrying amount of deferred tax assets in relation to deductible temporary differences was \$28,136 thousand and \$32,351 thousand, respectively. As of December 31, 2020 and 2019, no deferred tax asset was recognized on tax losses of \$71,188 thousand and \$72,085 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 37	\$ 36
Checking accounts and demand deposits	226,729	146,371
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>451,200</u>	<u>515,881</u>
	<u>\$ 677,966</u>	<u>\$ 662,288</u>

The rate intervals of cash in banks at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank balance	0%-0.41%	0%-2.25%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Gold investment account	<u>\$ 167,508</u>	<u>\$ 144,441</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Domestic investments		
Listed shares		
Ordinary shares - G-Shank Enterprise Co., Ltd.	\$ 11,696	\$ 13,362
Ordinary shares - Nishoku Technology Inc.	17,876	11,152
Ordinary shares - Taiwan Cooperative Financial Holding Co., Ltd.	63,751	63,111
Ordinary shares - Global Mixed-Mode Technology Inc.	11,165	8,855
Ordinary shares - Sinher Technology Inc.	8,676	8,066
Ordinary shares - DrayTek Company	6,578	7,084
Ordinary shares - Taiwan Fu Hsing Industrial Co., Ltd.	2,512	2,459
Ordinary shares - Mega Financial Holding Company Ltd.	<u>4,470</u>	<u>4,590</u>
	<u>\$ 126,724</u>	<u>\$ 118,679</u>
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Young Fast Optoelectronics Co., Ltd.	\$ 698,187	\$ 340,655
Ordinary shares - Fuzetec Technology Co., Ltd.	51,532	39,372
Unlisted shares		
Ordinary shares - Sol Young Enterprises Co., Ltd.	135,622	101,586
Ordinary shares - Bond-Galv Industrial Co., Ltd.	64,199	58,329
Ordinary shares - Mosart Semiconductor Corp.	9,976	5,076
Ordinary shares - Luminous Optical Technology Co., Ltd.	21,563	22,941
Ordinary shares - Taiwan Submarine Cable Co., Ltd. (Note)	300	300
Preference shares - MagiCap Venture Capital Co., Ltd.	<u>9,175</u>	<u>13,149</u>
	<u>\$ 990,554</u>	<u>\$ 581,408</u>

Note: One-Seven Trading Co., Ltd. was renamed as Taiwan Submarine Cable Co., Ltd. on December 31, 2020.

These investments in equity instruments are held for medium to long-term strategic purposes, and the Company expects to profit from the shares through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In 2020 and 2019, the Company acquired investments in equity instruments for medium to long-term strategic purposes of \$94,554 thousand and \$50,551 thousand, respectively; the management designated these investments as at FVTOCI.

In 2020 and 2019, the Company sold its shares in order to manage credit concentration risk. The sold shares had a fair value of \$4,694 thousand and \$46,270 thousand, respectively, and the related unrealized valuation (loss) gain of \$4,512 thousand and \$(11,098) thousand, respectively, was transferred from other equity to retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 14,000</u>	<u>\$ 16,986</u>

- a. As of December 31, 2020 and 2019, the interest rates for time deposits with original maturity of more than 3 months were from 0.55% and 0.80% to 1.05%, respectively, as at the end of the reporting period.
- b. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 27,211	\$ 39,231
Less: Allowance for impairment loss	(728)	(684)
	\$ 26,483	\$ 38,547
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 293,397	\$ 506,654
Less: Allowance for impairment loss	(2,934)	(5,067)
	\$ 290,463	\$ 501,587
<u>Other receivables</u>		
Tax refund receivable	\$ -	\$ 1,212
Earned revenue receivable	2,936	8,074
	\$ 2,936	\$ 9,286

### Trade receivables at amortized cost

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

Other than government agencies, the Company transacted with customers from diverse industries that are unrelated to each other; thus, no concentration of credit risk was observed.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

December 31, 2020

	<b>Not Past Due</b>
Expected credit loss rate	1%
Gross carrying amount	\$ 320,608
Loss allowance (Lifetime ECLs)	<u>(3,662)</u>
Amortized cost	<u>\$ 316,946</u>

December 31, 2019

	<b>Not Past Due</b>
Expected credit loss rate	1%
Gross carrying amount	\$ 545,885
Loss allowance (Lifetime ECLs)	<u>(5,751)</u>
Amortized cost	<u>\$ 540,134</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 5,751	\$ 4,019
Add: Amounts estimated	-	2,607
Less: Amounts written off	-	(875)
Less: Amounts recovered	<u>(2,089)</u>	<u>-</u>
Balance at December 31	<u>\$ 3,662</u>	<u>\$ 5,751</u>

**11. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Amounts due from customers for construction contracts</u>		
Construction costs incurred plus recognized profits less recognized losses to date	\$ -	\$ 4,579
Less: Progress billings	<u>-</u>	<u>(1,376)</u>
	<u>\$ -</u>	<u>\$ 3,203</u>
<u>Amounts due to customers for construction contracts</u>		
Progress billings	\$ 4,426	\$ 108,644
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>(2,360)</u>	<u>(97,842)</u>
	<u>\$ 2,066</u>	<u>\$ 10,802</u>

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Finished goods	\$ 271,368	\$ 270,674
Work in progress	279,152	192,275
Raw materials	<u>205,387</u>	<u>354,531</u>
	<u>\$ 755,907</u>	<u>\$ 817,480</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$2,386,983 thousand and \$2,495,851 thousand, respectively.

The cost of goods sold included reversal of write-downs of inventories of \$9,500 thousand and inventory write-downs of \$1,850 thousand for the year ended December 31, 2020. The cost of goods sold included reversal of write-downs of inventories of \$32,500 thousand and inventory write-downs of \$4,812 thousand for the year ended December 31, 2019. Previous write-downs were reversed as a result of the sale of obsolete and slow-moving inventories which were previously written down.

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Subsidiaries

<b>Name of Subsidiaries</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Holdkey (Belize) Investments Limited	\$ 4,967	\$ 5,045
Muchonfarm Inc. (Note)	<u>50,533</u>	<u>53,644</u>
	<u>\$ 55,500</u>	<u>\$ 58,689</u>

<b>Name of Subsidiaries</b>	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Holdkey (Belize) Investments Limited	100%	100%
Muchonfarm Inc. (Note)	100%	100%

Note: Muchorganic Incorporated Limited was renamed as Muchonfarm Inc. on May 8, 2020.

The share of profits and losses of subsidiaries accounted for using the equity method and other comprehensive income and losses for the years ended December 31, 2020 and 2019 were recognized based on the financial statements of subsidiaries that have been audited by accountants during the same periods.

## 14. PROPERTY, PLANT AND EQUIPMENT

### Assets Used by the Company

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 302,373	\$ 1,414,117	\$ 488,239	\$ 54,661	\$ 2,259,390
Additions	196,831	31,328	8,274	21,346	257,779
Disposals	-	(71,354)	(276,754)	(7,955)	(356,063)
Transferred from prepaid equipment	-	2,633	16,385	11,383	30,401
Balance at December 31, 2020	<u>\$ 499,204</u>	<u>\$ 1,376,724</u>	<u>\$ 236,144</u>	<u>\$ 79,435</u>	<u>\$ 2,191,507</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ -	\$ (616,137)	\$ (444,269)	\$ (23,263)	\$ (1,083,669)
Disposals	-	65,278	276,608	5,503	347,389
Depreciation expense	-	(38,300)	(19,900)	(7,383)	(65,583)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (589,159)</u>	<u>\$ (187,561)</u>	<u>\$ (25,143)</u>	<u>\$ (801,863)</u>
Balance at December 31, 2020, net	<u>\$ 499,204</u>	<u>\$ 787,565</u>	<u>\$ 48,583</u>	<u>\$ 54,292</u>	<u>\$ 1,389,644</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 302,373	\$ 1,413,461	\$ 679,227	\$ 134,492	\$ 2,529,553
Additions	-	11,675	8,240	10,579	30,494
Disposals	-	(13,359)	(200,446)	(91,490)	(305,295)
Transferred from prepaid equipment	-	2,340	1,218	1,080	4,638
Balance at December 31, 2019	<u>\$ 302,373</u>	<u>\$ 1,414,117</u>	<u>\$ 488,239</u>	<u>\$ 54,661</u>	<u>\$ 2,259,390</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2019	\$ -	\$ (588,771)	\$ (599,299)	\$ (103,108)	\$ (1,291,178)
Disposals	-	13,359	200,320	91,131	304,810
Impairment Loss	-	-	(13,680)	(1,038)	(14,718)
Depreciation expense	-	(40,725)	(31,610)	(10,248)	(82,583)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (616,137)</u>	<u>\$ (444,269)</u>	<u>\$ (23,263)</u>	<u>\$ (1,083,669)</u>
Balance at December 31, 2019, net	<u>\$ 302,373</u>	<u>\$ 797,980</u>	<u>\$ 43,970</u>	<u>\$ 31,398</u>	<u>\$ 1,175,721</u>

In 2019, the Company evaluated that the economic benefits of the equipment used for the production of some of the products had decreased, thereby resulting in the recoverable amount being lower than the carrying amount. Therefore, the Company recognized an impairment loss of \$14,718 thousand.

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	6-55 years
Machinery and equipment	4-20 years
Other equipment	3-16 years

The major parts of the buildings held by the Company include plants and fire extinguishing equipment, which are depreciated over their estimated useful lives of 50 years and 10 years, respectively.

Refer to Note 28 for the carrying amount of property, plant and equipment pledged for general banking facilities granted to the Company.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Buildings	\$ 1,670	\$ 16,691
Transportation equipment	<u>3,258</u>	<u>5,015</u>
	<u>\$ 4,928</u>	<u>\$ 21,706</u>
<b>For the Year Ended December 31</b>		
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 6,284</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 4,275	\$ 4,568
Transportation equipment	<u>1,757</u>	<u>1,515</u>
	<u>\$ 6,032</u>	<u>\$ 6,083</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	<u>\$ 2,809</u>	<u>\$ 6,254</u>
Non-current	<u>\$ 2,261</u>	<u>\$ 15,622</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Buildings	1.195%-1.465%	1.465%
Transportation equipment	1.465%	1.465%

### c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 2,973</u>	<u>\$ 3,250</u>
Expenses relating to low-value asset leases	<u>\$ 101</u>	<u>\$ 95</u>
Total cash outflow for leases	<u>\$ (6,307)</u>	<u>\$ (6,233)</u>

The Company's leases of certain buildings and transportation equipment qualify as short-term leases and leases of certain buildings and transportation equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.



## 16. INVESTMENT PROPERTIES

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 130,168	\$ 91,730	\$ 221,898
Additions	-	529	529
Disposals	-	(593)	(593)
Balance at December 31, 2020	<u>\$ 130,168</u>	<u>\$ 91,666</u>	<u>\$ 221,834</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ (26,742)	\$ (26,742)
Disposals	-	593	593
Depreciation expenses	-	(2,749)	(2,749)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (28,898)</u>	<u>\$ (28,898)</u>
Balance at December 31, 2020, net	<u>\$ 130,168</u>	<u>\$ 62,768</u>	<u>\$ 192,936</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 130,168	\$ 90,258	\$ 220,426
Additions	-	2,000	2,000
Disposals	-	(528)	(528)
Balance at December 31, 2019	<u>\$ 130,168</u>	<u>\$ 91,730</u>	<u>\$ 221,898</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ (24,633)	\$ (24,633)
Disposals	-	528	528
Depreciation expenses	-	(2,637)	(2,637)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (26,742)</u>	<u>\$ (26,742)</u>
Balance at December 31, 2019, net	<u>\$ 130,168</u>	<u>\$ 64,988</u>	<u>\$ 195,156</u>

Investment properties are depreciated on a straight-line basis over their estimated useful lives of 6 to 50 years.

The fair value of investment properties was \$322,019 thousand and \$322,253 thousand as of December 31, 2020 and 2019, respectively. The fair value was not evaluated by an independent appraiser; the Company evaluated it with reference to the market evidence of similar real estate transaction prices.

The investment properties were leased out for 1 to 3 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2020 and 2019, guarantee deposits received by the Company for operating lease contracts were both amounted to \$3,932 thousand.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 15,318	\$ 14,744
Year 2	1,855	1,816
Year 3	<u>714</u>	<u>-</u>
	<u>\$ 17,887</u>	<u>\$ 16,560</u>

The Company has freehold interest in all of its investment property. Refer to Note 28 for the carrying amount of investment properties pledged to secure general banking facilities granted to the Company.

## 17. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Prepayments	\$ 31,200	\$ 46,743
Temporary payments and payments on behalf of others	969	1,163
Others	<u>6,248</u>	<u>349</u>
	<u>\$ 38,417</u>	<u>\$ 48,255</u>
<u>Non-current</u>		
Refundable deposits	\$ 11,616	\$ 9,984
Prepayments for equipment	<u>15,427</u>	<u>30,401</u>
	<u>\$ 27,043</u>	<u>\$ 40,385</u>

## 18. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Other payables		
Payable for purchase of equipment	\$ 685	\$ 984
Salaries or bonuses	39,918	33,452
Payable for commissions	3,831	4,255
Payable for retirement and others	<u>38,141</u>	<u>41,984</u>
	<u>\$ 82,575</u>	<u>\$ 80,675</u>
Other liabilities		
Contract liabilities (Note)	\$ 17,507	\$ 12,617
Temporary receipts	4,770	2,398
Others	<u>724</u>	<u>639</u>
	<u>\$ 23,001</u>	<u>\$ 15,654</u>

Non-current

Other liabilities

Net defined benefit liabilities (Note 19)	\$ 30,744	\$ 31,207
Guarantee deposits received (Note 16)	<u>3,932</u>	<u>3,932</u>
	<u>\$ 34,676</u>	<u>\$ 35,139</u>

Note: Contract liabilities under other liabilities are collections in advance for the sale of goods.

**19. RETIREMENT BENEFIT PLANS**

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of the defined benefit obligation	\$ 84,492	\$ 88,411
Fair value of the plan assets	<u>(53,748)</u>	<u>(57,204)</u>
Deficit	<u>30,744</u>	<u>31,207</u>
Net defined benefit liabilities	<u>\$ 30,744</u>	<u>\$ 31,207</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2019	\$ 84,301	\$ (56,459)	\$ 27,842
Service cost			
Current service cost	857	-	857
Net interest expense (income)	<u>843</u>	<u>(570)</u>	<u>273</u>
Recognized in profit or loss	<u>1,700</u>	<u>(570)</u>	<u>1,130</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,127)	(2,127)
Actuarial (gain) loss - changes in demographic assumptions	306	-	306
Actuarial (gain) loss - changes in financial assumptions	2,181	-	2,181
Actuarial (gain) loss - experience adjustments	<u>3,010</u>	<u>-</u>	<u>3,010</u>
Recognized in other comprehensive income	<u>5,497</u>	<u>(2,127)</u>	<u>3,370</u>
Contributions from the employer	-	(1,135)	(1,135)
Benefits paid	<u>(3,087)</u>	<u>3,087</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 88,411</u>	<u>\$ (57,204)</u>	<u>\$ 31,207</u>
Balance at January 1, 2020	\$ 88,411	\$ (57,204)	\$ 31,207
Service cost			
Current service cost	810	-	810
Net interest expense (income)	<u>663</u>	<u>(433)</u>	<u>230</u>
Recognized in profit or loss	<u>1,473</u>	<u>(433)</u>	<u>1,040</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,880)	(1,880)
Actuarial (gain) loss - changes in demographic assumptions	229	-	229
Actuarial (gain) loss - changes in financial assumptions	2,016	-	2,016
Actuarial (gain) loss - experience adjustments	<u>(769)</u>	<u>-</u>	<u>(769)</u>
Recognized in other comprehensive income	<u>1,476</u>	<u>(1,880)</u>	<u>(404)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Contributions from the employer	\$ -	\$ (1,099)	\$ (1,099)
Benefits paid	<u>(6,868)</u>	<u>6,868</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 84,492</u>	<u>\$ (53,748)</u>	<u>\$ 30,744</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 781	\$ 801
Selling and marketing expenses	167	179
General and administrative expenses	62	102
Research and development expenses	<u>30</u>	<u>48</u>
	<u>\$ 1,040</u>	<u>\$ 1,130</u>

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

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2.00%	2.00%

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (2,017)</u>	<u>\$ (2,183)</u>
0.25% decrease	<u>\$ 2,090</u>	<u>\$ 2,264</u>

Expected rate(s) of salary increase		
0.25% increase	\$ 2,023	\$ 2,196
0.25% decrease	\$ (1,963)	\$ (2,129)

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

	<u>December 31</u>	
	2020	2019
The expected contributions to the plan for the next year	\$ 1,104	\$ 1,100
The average duration of the defined benefit obligation	9.6 years	10 years

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	2020	2019
Number of authorized shares (in thousands)	320,000	320,000
Amount of authorized shares	\$ 3,200,000	\$ 3,200,000
Number of issued and fully paid shares (in thousands)	240,865	240,865
Amount of issued and fully paid shares	\$ 2,408,647	\$ 2,408,647

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

### b. Capital surplus

	<u>December 31</u>	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	\$ 355,183	\$ 427,441
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interest in subsidiaries (2)	159	159
Arising from share of changes in capital surplus of associates	4,035	4,035
	<u>\$ 359,377</u>	<u>\$ 431,635</u>

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

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

c. Retained earnings and dividends policy

The Company considers the needs of the environment and the characteristics of the industry and long-term financial planning, dividend policy, measure of investment funds, financial structure, and surplus situation before it decides on the amount and type of surplus distribution.

Under the dividend policy as set forth in the Articles, when the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting losses of previous years. The Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profit, first set aside 10% of such profit as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply. In addition to the aforesaid legal reserve, the Company appropriates another sum as a special reserve. Finally, any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses of shareholders. Cash dividends shall not be less than 10% of total dividends distributed. For the policies on distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 22-h.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. If the Company has no deficit, and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Order No. 1010012865, Order No. 1010047490 and Order No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve.

The appropriation of earnings for 2019 and compensation of deficits for 2018 were approved in the shareholder's meetings on June 29, 2020 and June 24, 2019, respectively, were as follows:

	<b>Appropriation of Earnings For Year 2019</b>	<b>Compensation of Deficits For Year 2018</b>
Legal reserve	\$ <u>6,794</u>	\$ <u>-</u>
Special reserve (reversed)	\$ <u>(210,093)</u>	\$ <u>84,839</u>

The Company's shareholders in their meetings on June 29, 2020 and June 24, 2019 also resolved to issue cash dividends from the capital surplus of \$72,258 thousand and \$72,260 thousand, respectively.

The appropriations of earnings for 2020 are proposed by the Company's board of directors and subject to the resolution of the shareholders' meeting to be held on June 28, 2021.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Wires and cables revenue	\$ 2,802,428	\$ 2,736,852
Rental revenue	<u>16,231</u>	<u>16,004</u>
	<u>\$ 2,818,659</u>	<u>\$ 2,752,856</u>

### Contract Balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes and trade receivables (Note 10)	<u>\$ 316,946</u>	<u>\$ 540,134</u>	<u>\$ 386,339</u>
Contract assets - current			
Sale of wires and cables	<u>\$ 240,070</u>	<u>\$ 155,721</u>	<u>\$ -</u>

## 22. NET PROFIT

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income		
Bank deposits	\$ 2,525	\$ 5,631
Others	<u>26</u>	<u>20</u>
	<u>\$ 2,551</u>	<u>\$ 5,651</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividends	\$ 28,766	\$ 21,284
Others	<u>8,298</u>	<u>10,241</u>
	<u>\$ 37,064</u>	<u>\$ 31,525</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets mandatorily classified as at FVTPL	\$ 23,067	\$ 19,998
Net foreign exchange gains (losses)	1,770	(1,815)
(Loss) gain on disposal of property, plant and equipment	(8,674)	1,432
Impairment loss on property, plant and equipment	-	(14,718)
Others	<u>(3,675)</u>	<u>(6,355)</u>
	<u>\$ 12,488</u>	<u>\$ (1,458)</u>



d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ 255	\$ 320
Interest on deposits	<u>41</u>	<u>41</u>
	<u>\$ 296</u>	<u>\$ 361</u>

e. Depreciation

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 69,368	\$ 85,280
Operating expenses	<u>4,996</u>	<u>6,023</u>
	<u>\$ 74,364</u>	<u>\$ 91,303</u>

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses of investment properties generating rental income	<u>\$ 4,698</u>	<u>\$ 5,330</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 5,780	\$ 5,422
Defined benefit plans (Note 19)	<u>1,040</u>	<u>1,130</u>
	6,820	6,552
Other employee benefits	<u>188,513</u>	<u>174,280</u>
Total employee benefits expense	<u>\$ 195,333</u>	<u>\$ 180,832</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 141,357	\$ 132,530
Operating expenses	<u>53,976</u>	<u>48,302</u>
	<u>\$ 195,333</u>	<u>\$ 180,832</u>

h. Compensation of employees and remuneration of directors

According to the Company's Articles, where the Company made a profit in a fiscal year, it distributes compensation of employees at the rate of no less than 1% and no higher than 5% and remuneration of directors at the rate of no higher than 2.5% of net profit before income tax. The compensation of employees is calculated based on the remaining balance of the current year's profit (i.e., profit before income tax prior to the distribution of compensation of employees and remuneration of directors) minus accumulated deficits.

The compensation of employees and remuneration of directors for the year ended December 31, 2020 are subject to the approval by the Company's board of directors. The compensation of employees and remuneration of directors for the year ended December 31, 2019 were approved by the Company's board of directors on May 12, 2020 as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Compensation of employees	2.93%	4.36%
Remuneration of directors	1.17%	2.16%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 9,000	\$ 3,800
Remuneration of directors	3,600	1,880

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

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

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

i. Gain or loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Foreign exchange gains	\$ 6,807	\$ 2,500
Foreign exchange losses	<u>(5,037)</u>	<u>(4,315)</u>
	<u>\$ 1,770</u>	<u>\$ (1,815)</u>

## 23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 45,496	\$ 4,965
Adjustments for prior year	-	(1,049)
Deferred tax		
In respect of the current year	<u>6,687</u>	<u>9,559</u>
Income tax expense recognized in profit or loss	<u>\$ 52,183</u>	<u>\$ 13,475</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 294,163</u>	<u>\$ 81,417</u>
Income tax expense calculated at the statutory rate	\$ 58,833	\$ 16,283
Non-deductible expenses in determining taxable income	-	38
Tax-exempt income	(5,753)	(4,257)
Unrecognized deductible temporary differences	(897)	2,460
Adjustments for prior years' tax	<u>-</u>	<u>(1,049)</u>
Income tax expense recognized in profit or loss	<u>\$ 52,183</u>	<u>\$ 13,475</u>

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

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	\$ <u>81</u>	\$ <u>(674)</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ 81</u>	<u>\$ (674)</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	<u>\$ 42,955</u>	<u>\$ 1,970</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized investment losses	\$ 3,630	\$ 311	\$ -	\$ 3,941
Inventory write-downs	18,000	(1,900)	-	16,100
Unrealized valuation losses	2,061	(2,061)	-	-
Defined benefit plans	7,773	(12)	(81)	7,680
Others	<u>887</u>	<u>(472)</u>	<u>-</u>	<u>415</u>
	<u>\$ 32,351</u>	<u>\$ (4,134)</u>	<u>\$ (81)</u>	<u>\$ 28,136</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized valuation gains	\$ -	\$ 2,553	\$ -	\$ 2,553

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized investment losses	\$ 3,229	\$ 401	\$ -	\$ 3,630
Inventory write-downs	24,500	(6,500)	-	18,000
Unrealized valuation losses	6,060	(3,999)	-	2,061
Defined benefit plans	7,100	(1)	674	7,773
Others	<u>347</u>	<u>540</u>	<u>-</u>	<u>887</u>
	<u>\$ 41,236</u>	<u>\$ (9,559)</u>	<u>\$ 674</u>	<u>\$ 32,351</u>

e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Deductible temporary differences		
Unrealized investment losses	\$ 326,643	\$ 325,267
Impairment of assets	<u>29,299</u>	<u>35,160</u>
	<u>\$ 355,942</u>	<u>\$ 360,427</u>

f. Income tax assessments

The income tax returns of the Company through 2018 have been assessed and cleared by the tax authorities.

## 24. EARNINGS PER SHARE

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit for the year attributable to owners of the Company	\$ <u>241,980</u>	\$ <u>67,942</u>

### Weighted Average Number of Ordinary Shares Outstanding

(In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	240,865	240,865
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued	<u>849</u>	<u>443</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>241,714</u>	<u>241,308</u>

If the Company may settle the compensation of employees in cash or shares, the Company assumed that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to find its working capital needs, capital assets purchases, research and development activities, and dividend payments associated with its existing operations over the next 12 months.

## 26. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Gold investment account	\$ 167,508	\$ -	\$ -	\$ 167,508
Financial assets at FVTOCI				
Listed securities in the ROC				
Equity securities	876,443	-	-	876,443
Unlisted securities in the ROC				
Equity securities	-	-	231,660	231,660
Preference shares	-	-	9,175	9,175
	<u>\$ 1,043,951</u>	<u>\$ -</u>	<u>\$ 240,835</u>	<u>\$ 1,284,786</u>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Gold investment account	\$ 144,441	\$ -	\$ -	\$ 144,441
Financial assets at FVTOCI				
Listed securities in the ROC				
Equity securities	498,706	-	-	498,706
Unlisted securities in the ROC				
Equity securities	-	-	188,232	188,232
Preference shares	-	-	13,149	13,149
	<u>\$ 643,147</u>	<u>\$ -</u>	<u>\$ 201,381</u>	<u>\$ 844,528</u>

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

	<b>Financial Assets at FVTOCI Equity Instruments</b>
<u>Financial assets</u>	
Balance at January 1, 2020	\$ 201,381
Disposals/settlements	(4,694)
Return of shares after capital reduction	(9,253)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>53,401</u>
Balance at December 31, 2020	<u>\$ 240,835</u>

For the year ended December 31, 2019

	<b>Financial Assets at FVTOCI Equity Instruments</b>
<u>Financial assets</u>	
Balance at January 1, 2019	\$ 207,152
Disposals/settlements	(29,179)
Return of shares after capital reduction	(16,986)
Transferred to Level 1	(21,290)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>61,684</u>
Balance at December 31, 2019	<u>\$ 201,381</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Domestic unlisted shares were valued using the market approach. The estimates and assumptions used by the Company under the market approach are consistent with those used by market participants in the pricing of financial instruments.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 167,508	\$ 144,441
Financial assets at amortized cost (Note 1)	1,023,464	1,241,881
Financial assets at FVTOCI	1,117,278	700,087
<u>Financial liabilities</u>		
Amortized cost (Note 2)	309,298	441,960

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables, amounts due from customers for construction contracts, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise notes payable, trade payables, amounts due to customers for constructions contracts, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors.

1) Market risk

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

a) Foreign currency risk

With regard to the carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation), refer to Note 32.



### Sensitivity analysis

The Company is mainly exposed to the USD and JPY.

The following table details the Company's sensitivity to a 2% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 2% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period under the assumption of a 2% change in foreign currency rates. A positive number below indicates an increase/decrease in pre-tax profit/loss when New Taiwan dollars strengthened by 2% against the relevant currency. For a 2% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit/loss and the balances below would be negative.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ (457)	\$ 1,436	\$ 152	\$ -

The amounts were mainly attributable to the outstanding receivables and payables, which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency risk in 2020 has not changed significantly from the prior year.

### b) Interest rate risk

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 465,200	\$ 532,867
Cash flow interest rate risk		
Financial assets	225,925	145,773

### Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A sensitivity rate of 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Company's pre-tax profit/loss for the years ended December 31, 2020 and 2019 would have increase/decrease by \$565 thousand and \$364 thousand, respectively, which was mainly a result of variable-rate bank deposits.

The Company's sensitivity to interest rate risk in 2020 has not changed significantly from the prior year.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. The Company has appointed a special team to monitor the price risk and make plans to manage the price risk.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to the price risks of the aforementioned investments at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,675 thousand and \$1,444 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$8,764 thousand and \$4,987 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to investments in equity securities in 2020 has not changed significantly from the prior year.

2) Credit risk

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

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company adopted a policy of only dealing with government agencies and creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above.

Refer to Note 10 for impairment assessment of individual customer receivables.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized short-term bank loan facilities of \$1,143,507 thousand and \$1,113,198 thousand, respectively.

**27. TRANSACTIONS WITH RELATED PARTIES**

Besides disclosures mentioned in other notes, the details of transactions between the Company and other related parties were disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Muchonfarm Inc. (Muchonfarm)	Subsidiary
Young Fast Optoelectronics Co., Ltd. (Young Fast)	Other related party (the Company is the corporate director)
Taiwan SRU Corp. Ltd. (SRU)	Other related party (related party in substance)
Bond-Galv Industrial Co., Ltd. (Bond-Galv)	Other related party (corporate director of the Company)

b. Operating revenue

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Sales	Other related parties	<u>\$ 253</u>	<u>\$ 42</u>
Rental revenue	Subsidiary	\$ 240	\$ 255
	Other related parties		
	Young Fast	10,081	10,039
	SRU	<u>1,719</u>	<u>1,719</u>
		<u>\$ 12,040</u>	<u>\$ 12,013</u>

Sales were made at discounted market price to reflect the quantity of goods sold and the relationships between the parties.

Terms of sales from related parties were similar to those from third parties.

The Company rented houses to related parties. The amount of rent was agreed by both parties.

Terms of rent collection from related parties were similar to those from third parties.

As of December 31, 2020 and 2019, guarantee deposits received from the renting of houses to related parties were as follows:

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Guarantee deposits received	Other related parties		
	Young Fast	\$ 3,000	\$ 3,000
	SRU	<u>450</u>	<u>450</u>
		<u>\$ 3,450</u>	<u>\$ 3,450</u>
c. Purchases of goods			
		<b>For the Year Ended December 31</b>	
<b>Related Party Category</b>		<b>2020</b>	<b>2019</b>
Other related parties		<u>\$ 131,933</u>	<u>\$ 72,540</u>

Purchases were made at discounted market prices to reflect the quantity of goods purchased and the relationships between the parties.

Terms of purchases from related parties were similar to those from third parties.

d. Payables to related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Trade payables to related parties	Other related parties		
	Young Fast	<u>\$ -</u>	<u>\$ 27,069</u>

The outstanding payables to related parties were unsecured.

e. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	<u>\$ 23,579</u>	<u>\$ 15,263</u>

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

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been mortgaged as collateral for long- and short-term bank credit lines, performance guaranty, and a deposit for management and maintenance of public open space:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets at amortized cost - current		
Pledged time deposits	\$ -	\$ 2,986
Property, plant and equipment		
Freehold land	170,737	170,737
Buildings, net	450,448	468,147
Investment properties		
Freehold land	51,692	51,692
Buildings, net	<u>21,417</u>	<u>22,031</u>
	<u>\$ 694,294</u>	<u>\$ 715,593</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to the following:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
USD	<u>\$ 3,423</u>	<u>\$ 3,257</u>
JPY	<u>\$ 36,600</u>	<u>\$ 35,352</u>

- b. Unrecognized commitments for purchase of property, plant and equipment amounted to the following:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
NTD	<u>\$ 54,123</u>	<u>\$ 24,859</u>

- c. Unrecognized contractual commitments of contracts entered into between the Company and the subcontractors are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
NTD	<u>\$ 190,624</u>	<u>\$ 221,273</u>

- d. In accordance with the customs import tariff of the post-release duty payment for imported goods, the bank issued a letter of guarantee on behalf of the Company to the customs. The endorsement/guarantee amount was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
NTD	<u>\$ 5,000</u>	<u>\$ 5,000</u>

**30. SIGNIFICANT LOSSES FROM DISASTERS: NONE****31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE****32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

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

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 792	28.43	\$ 22,521
JPY	64,846	0.27	<u>17,787</u>
			<u>\$ 40,308</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	174	28.48	<u>\$ 4,967</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,590	28.53	\$ 45,349
JPY	36,650	0.28	<u>10,200</u>
			<u>\$ 55,549</u>

December 31, 2019

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,246	29.93	<u>\$ 127,073</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	168	29.98	<u>\$ 5,045</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,840	30.03	<u>\$ 55,249</u>

The Company is mainly exposed to the USD and JPY. The following information was aggregated by the functional currencies of the Company, and the exchange rate between the respective functional currency and the presentation currency was disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Functional Currency	For the Year Ended December 31			
	2020		2019	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ <u>1,770</u>	1 (NTD:NTD)	\$ <u>(1,815)</u>

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None. (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.

b. Information on investees. (Table 3)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: None.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 4)



**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars/Shares, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	% of Ownership	Fair Value	
Hold-Key Electric Wire & Cable Co., Ltd.	G-Shank Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	565	\$ 11,696	0.31	\$ 11,696	
	Nishoku Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	164	17,876	0.26	17,876	
	Taiwan Cooperative Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	3,133	63,751	0.02	63,751	
	Global Mixed-Mode Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	70	11,165	0.08	11,165	
	Sinher Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	185	8,676	0.25	8,676	
	DrayTek Company	-	Financial assets at fair value through other comprehensive income - current	253	6,578	0.29	6,578	
	Taiwan Fu Hsing Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	56	2,512	0.03	2,512	
	Mega Financial Holding Company Ltd.	-	Financial assets at fair value through other comprehensive income - current	150	4,470	0.00	4,470	
	Young Fast Optoelectronics Co., Ltd.	The Company is the corporate director	Financial assets at fair value through other comprehensive income - non-current	20,415	698,187	13.49	698,187	
	MagiCap Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	73	9,175	1.78	9,175	
	Sol Young Enterprises Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	3,652	135,622	5.60	135,622	
	Bond-Galv Industrial Co., Ltd.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	1,797	64,199	11.46	64,199	
	Fuzetec Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,091	51,532	3.47	51,532	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through other comprehensive income - non-current	743	9,976	3.32	9,976	
	Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	826	21,563	5.50	21,563	
	Taiwan Submarine Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	30	<u>300</u>	6.67	300	
						<u>\$ 1,117,278</u>		

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Hold-Key Electric Wire & Cable Co., Ltd.	Young Fast Optoelectronics Co., Ltd.	The Company is the corporate director	Purchase	\$ 131,933	6.65	Payment in 60 days after acceptance	Note	Equivalent	\$ -	-	

Note: It is an agreement between the two parties.

## HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD. AND SUBSIDIARIES

### INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, U.S. Dollars and Hong Kong Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	% of Ownership	Carrying Amount			
Hold-Key Electric Wire & Cable Co., Ltd.	Holdkey (Belize) Investments Limited	Belize City	Investment	\$ 346,448 (US\$ 10,237) (HK\$ 1,000)	\$ 346,448 (US\$ 10,237) (HK\$ 1,000)	9,971	100.00	\$ 4,967	\$ 179	\$ 179	Subsidiary
	Muchonfarm Inc.	3F., No. 36-10, Sec. 1, Fuxing S. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Agriculture	87,250	87,250	13,000	100.00	50,533	(3,111)	(3,111)	Subsidiary
Holdkey (Belize) Investments Limited	Midori Mark (H.K.) Limited	Unit 2911, Tower 2 Metroplaza, 223 Hing Fong Rd., Kwai Fong, N.T., Hong Kong	Trading of various panels	US\$ 539	US\$ 539	2,325	21.83	570	1,046	228	

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sol Young Enterprises Co., Ltd.	77,556,914	32.19

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

# HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

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**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hand		\$ 37
Checking accounts		804
Demand deposits	Including foreign currency deposits of JPY43,066 thousand @0.27	225,925
Time deposits		<u>451,200</u>
		<u>\$ 677,966</u>

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

## STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars/Kg, Unless Specified Otherwise)

Name	Description	Kg	Book Value	Amount	Rate	Cost	Accumulated Impairment	Fair Value		Note
								Unit Price	Total Amount	
Gold investment account		99	\$ -	\$ -		<u>\$ 154,745</u>	\$ -	1,692	<u>\$ 167,508</u>	None

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****STATEMENT OF INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars/Shares, Unless Specified Otherwise)**

Name	Description	Shares	Book Value	Amount	Rate	Cost	Accumulated Impairment	Fair Value		Note
								Unit Price	Total Amount	
G-Shank Enterprise Co., Ltd.		565	\$ -	\$ -		\$ 14,693	\$ -	20.70	\$ 11,696	None
Nishoku Technology Inc.		164	-	-		14,112	-	109.00	17,876	"
Taiwan Cooperative Financial Holding Co., Ltd.		3,133	-	-		46,795	-	20.35	63,751	"
Global Mixed-Mode Technology Inc		70	-	-		5,035	-	159.50	11,165	"
Sinher Technology Inc.		185	-	-		9,912	-	46.90	8,676	"
DrayTek Corporation		253	-	-		7,886	-	26.00	6,578	"
Taiwan Fu Hsing Industrial Co., Ltd.		56	-	-		2,345	-	44.85	2,512	"
Mega Financial Holding Company Ltd.		150	-	-		<u>3,572</u>	-	29.80	<u>4,470</u>	"
						<u>\$ 104,350</u>			<u>\$ 126,724</u>	



**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****STATEMENT OF NOTES RECEIVABLE  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Description</b>	<b>Amount</b>
Non-related party		
Client A	Payments	\$ 6,389
Client B	"	2,920
Client C	"	2,845
Client D	"	2,086
Others (Note)	"	<u>12,971</u>
		27,211
Less: Allowance for impairment loss		<u>728</u>
		<u>\$ 26,483</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Description</b>	<b>Amount</b>
Non-related party		
Client A	Payments	\$ 120,927
Client B	"	65,435
Client C	"	16,739
Others (Note)	"	<u>90,296</u>
		293,397
Less: Allowance for impairment loss		<u>2,934</u>
		<u>\$ 290,463</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****STATEMENT OF INVENTORIES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Raw materials	\$ 225,159	\$ 201,159
Materials	10,728	4,228
Work in progress	301,652	279,152
Finished goods	<u>298,868</u>	<u>271,368</u>
	836,407	<u>\$ 755,907</u>
Less: Allowance for write-downs of inventories	<u>80,500</u>	
	<u>\$ 755,907</u>	

Note: Inventories are evaluated at the lower of cost or net realizable value.

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars/Shares)

Name	Balance, January 1, 2020		Additions (Note 1)		Decrease (Note 2)		Balance, December 31, 2020			Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership (%)	Amount	
Young Fast Optoelectronics Co., Ltd.	15,345	\$ 340,655	5,070	\$ 357,532	-	\$ -	20,415	13.49	\$ 698,187	None
MagiCap Venture Capital Co., Ltd.	91	13,149	-	720	18	4,694	73	1.78	9,175	"
Sol Young Enterprises Co., Ltd.	3,652	101,586	-	34,036	-	-	3,652	5.60	135,622	"
Bond-Galv Industrial Co., Ltd.	1,797	58,329	-	5,870	-	-	1,797	11.46	64,199	"
Fuzetec Technology Co., Ltd.	1,091	39,372	-	12,160	-	-	1,091	3.47	51,532	"
Mosart Semiconductor Corp.	843	5,076	-	5,896	100	996	743	3.32	9,976	"
Luminous Optical Technology Co., Ltd.	1,651	22,941	-	6,879	825	8,257	826	5.50	21,563	"
Taiwan Submarine Cable Co., Ltd. (Note 3)	30	300	-	-	-	-	30	6.67	300	"
		<u>\$ 581,408</u>		<u>\$ 423,093</u>		<u>\$ 13,947</u>			<u>\$ 990,554</u>	

Note 1: Increase in amount resulted from adjustment and purchase.

Note 2: Decrease in amount resulted from capital reduction by return of shares and sale.

Note 3: One-Seven Trading Co., Ltd. was renamed as Taiwan Submarine Cable Co., Ltd. on December 31, 2020.

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars/Shares, Unless Specified Otherwise)

Investees	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Investment Gain or Loss	Balance, December 31, 2020			Market Value or Net Assets Value		Collateral
	Shares	Amount	Acquired Shares	Amount	Shares	Amount		Shares	Percentage of Ownership (%)	Amount	Unit Price	Total Amount	
Holdkey (Belize) Investments Limited	9,971	\$ 5,045	-	\$ -	-	\$ 257	\$ 179	9,971	100	\$ 4,967	0.50	\$ 4,967	None
Muchonfarm Inc.	13,000	<u>53,644</u>	-	<u>-</u>	-	<u>-</u>	<u>(3,111)</u>	13,000	100	<u>50,533</u>	3.89	<u>50,533</u>	"
		<u>\$ 58,689</u>		<u>\$ -</u>		<u>\$ 257</u>	<u>\$ (2,932)</u>			<u>\$ 55,500</u>		<u>\$ 55,500</u>	

**STATEMENT 9**

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Balance, January 1, 2020</b>	<b>Additions</b>	<b>Decrease</b>	<b>Balance, December 31, 2020</b>
Buildings	\$ 21,071	\$ -	\$ (11,267)	\$ 9,804
Transportation equipment	<u>6,089</u>	<u>-</u>	<u>-</u>	<u>6,089</u>
	<u>\$ 27,160</u>	<u>\$ -</u>	<u>\$ (11,267)</u>	<u>\$ 15,893</u>

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Balance, January 1, 2020</b>	<b>Additions</b>	<b>Decrease</b>	<b>Balance, December 31, 2020</b>
Buildings	\$ 4,380	\$ 4,275	\$ (521)	\$ 8,134
Transportation equipment	<u>1,074</u>	<u>1,757</u>	<u>-</u>	<u>2,831</u>
	<u>\$ 5,454</u>	<u>\$ 6,032</u>	<u>\$ (521)</u>	<u>\$ 10,965</u>

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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	<b>Client Name</b>	<b>Description</b>	<b>Amount</b>
Non-related party			
	Client A	Payments	\$ 44,581
	Client B	"	42,154
	Client C	"	29,596
	Client D	"	22,611
	Client E	"	17,118
	Client F	"	11,509
	Others (Note)	"	<u>52,866</u>
			<u>\$ 220,435</u>

Note: The amount of individual client included in other does not exceed 5% of the account balance.



**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF LEASE LIABILITIES**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Contract Period</b>	<b>Discount Rates (%)</b>	<b>Amount</b>
Building	Office	2016.02.16-2021.02.15	1.195	\$ 283
"	Dormitory	2020.08.01-2021.07.31	1.465	986
"	"	2019.08.01-2021.07.31	"	507
Transportation equipment	Car	2018.01.25-2021.01.24	"	14
"	"	2018.10.30-2021.10.29	"	123
"	"	2019.02.01-2022.01.31	"	155
"	"	2019.04.01-2024.03.31	"	937
"	"	2019.07.01-2023.02.28	"	1,388
"	"	2019.09.02-2022.09.01	"	395
"	"	2019.11.01-2022.10.31	"	<u>282</u>
				5,070
Less: Portion due within one year				<u>2,809</u>
				<u>\$ 2,261</u>

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantities</b>	<b>Unit Price</b>	<b>Amount</b>
Wires and cables	17,019 KM	17.46	\$ 297,074
Aluminum wire	920 MT	86.24	79,305
XLPE power cables	2,270 KM	620.72	1,409,083
Communication wires and cables	22,088 KM	13.75	303,814
Optical fiber cables	1,447 KM	60.87	88,112
Engineering service revenue			11,293
Rental revenue			16,231
Service revenue			106,937
Others - ancillary equipment			<u>506,810</u>
			<u>\$ 2,818,659</u>

**STATEMENT 14****HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct raw materials	
Add: Raw materials, beginning of year	\$ 370,029
Purchases in the period	1,039,843
Transferred from expenses and revenue	18
Less: Raw materials, end of year	(225,159)
Others	(397)
	<u>1,184,334</u>
 Materials used	
Materials, beginning of year	14,002
Add: Purchases in the period	14,485
Less: Materials, end of year	(10,728)
Others	(6)
	<u>17,753</u>
Direct labor	77,812
Manufacturing expenses	<u>270,444</u>
Manufacturing costs	1,550,343
Add: Work in process, beginning of year	220,275
Purchases in the period	1,464
Others	2,666
Less: Work in process, end of year	(301,652)
Others	(864)
	<u>1,472,232</u>
Cost of finished goods	303,174
Add: Finished goods, beginning of year	929,390
Finished goods purchased	105
Others	(298,868)
Less: Finished goods, end of year	(9,550)
Others	<u>2,396,483</u>
Cost of finished goods	(9,500)
Reversal of write-downs of inventories	4,698
Rental cost	<u>3,203</u>
Construction in progress, beginning of year	99,218
Offsetting of construction in progress and advance construction receipts, beginning of year	(99,774)
Less: Consumption in this period	-
Construction in progress, end of year	(2,360)
Offsetting of construction in progress and advance construction receipts, end of year	<u>287</u>
Construction cost	<u>82,170</u>
Services cost	<u>\$ 2,474,138</u>

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF SELLING AND MARKETING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Payroll expenses		\$ 17,130
Shipping expenses		12,196
Professional service fees		4,501
Commission expenses		10,400
Other (Note)		<u>12,054</u>
		<u>\$ 56,281</u>

Note: The amount of individual client included in other does not exceed 5% of the account balance.

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Payroll expenses		\$ 30,368
Depreciation expenses		2,019
Professional service fees		3,802
Gain on reversal of expected credit loss		(2,089)
Others (Note)		<u>4,392</u>
		<u>\$ 38,492</u>

Note: The amount of individual client included in other does not exceed 5% of the account balance.

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Payroll expenses		\$ 2,269
Consumables expenses		715
Other (Note)		<u>1,476</u>
		<u>\$ 4,460</u>

Note: The amount of individual client included in other does not exceed 5% of the account balance.

## HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.

### STATEMENT OF LABOR, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salaries	\$ 117,710	\$ 40,722	\$ 158,432	\$ 109,979	\$ 37,196	\$ 147,175
Labor and health insurance	11,067	2,986	14,053	10,660	3,117	13,777
Post-employment benefits	5,245	1,575	6,820	4,853	1,699	6,552
Remuneration of directors	-	7,470	7,470	-	4,946	4,946
Others	7,335	1,223	8,558	7,038	1,344	8,382
	<u>\$ 141,357</u>	<u>\$ 53,976</u>	<u>\$ 195,333</u>	<u>\$ 132,530</u>	<u>\$ 48,302</u>	<u>\$ 180,832</u>
Depreciation	<u>\$ 69,368</u>	<u>\$ 4,996</u>	<u>\$ 74,364</u>	<u>\$ 85,280</u>	<u>\$ 6,023</u>	<u>\$ 91,303</u>

Note 1: As of December 31, 2020 and 2019, the Company had 235 and 243 employees, including 5 and 4 non-employee directors, respectively.

Note 2: The Company's shares have been listed on the stock exchange, and the following information has been disclosed:

- 1) Average labor costs for the years ended December 31, 2020 and 2019 were \$817 thousand and \$736 thousand, respectively.
- 2) Average salary and bonus for the years ended December 31, 2020 and 2019 were \$689 thousand and \$616 thousand, respectively.
- 3) The average salary and bonus decreased by 11.85% year over year.
- 4) The Company has no supervisor.
- 5) The Company's salary and remuneration policy, including directors, supervisors, managers and employees, are as follows:
  - a) Salary is paid by remittance every month.
  - b) Depending on the operating conditions of the year, the year-end bonus will be paid before the Chinese New Year.
  - c) Depending on the operating conditions of the year, the performance bonus will be paid in the third quarter based on the employees' job title and annual performance appraisal results.
  - d) Depending on the operating conditions of the year, 1%-5% of the current year's profit shall be allocated as compensation of employees and no more than 2.5% of the current year's profit as remuneration of directors. Remuneration will be paid in the third quarter of the year.

**HOLD-KEY ELECTRIC WIRE & CABLE CO., LTD.**

**Chairperson: Biqi Yang**

**Published on May 25, 2021**