Stock code：3093

# TAIWAN KONG KING CO., LTD.

# Annual Report
# 2020

Edited by: Taiwan Kong King Co., Ltd.

Printed on May 28, 2021

Annual report is available at:
（http://mops.twse.com.tw/）

1. Spokesman

   Name: LIAO HUNG-YING

   Title: General Manager

   Tel: 03-352-9332

   E-mail: smale_liao@tkk.com.tw

2. Deputy Spokesman

   Name: CHEN MEI-FEN

   Title: Vice General Manager of the Management Division

   Tel: 03-352-9332

   E-mail：may_chen@tkk.com.tw

3. Company address and tel.

   Head office: 5F.-4, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City, Taiwan (R.O.C.)

   Tel: 03-352-9332

   Hsinchu office: No. 78, Guangming 3rd Rd., Zhubei City, Hsinchu County, Taiwan (R.O.C.)

   Tel: 03-553-0377

   Tainan office: No. 6, Ln. 1, Liantan S. 1st Ln., Xinshi Dist., Tainan City 744, Taiwan (R.O.C.)

   Tel: 06-585-0678

   Kaohsiung office: No. 46, Ln. 128, Daxue 32nd St., Nanzi Dist., Kaohsiung City 811, Taiwan (R.O.C.)

   Tel: 07-366-3308

4. The stock transfer agency

   SinoPac Securities co., ltd.

   Address: 3F, No. 17, Bo'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

   Tel: 02-2381-6288

   Website: www.sinopac.com.tw

5. Recent annual report accountant

   Ernst & Young

   Accountant Chih-Ming Chang and Jung-Huang Hsu

   Address: 9F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.) (TWTC International Trade Building)

   Tel: 02-2757-8888

   Website: www.ey.com/taiwan

6. The name of the trading place where Company's listed overseas securities are listed for trading and the way to inquire about the overseas securities information: not applicable

Company Website: http://www.tkk.com.tw

# TAIWAN KONG KING CO., LTD.

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# I. Letter to Shareholders

Dear shareholders and distinguished guests:

Major industry in Taiwan anticipated the prosperity this year as follows: Global coronavirus epidemic (COVID-19) has made a huge impact on global macroeconomy. In addition to the continued expansion of investment in the semiconductor industry and PCB high-end carrier boards, the sales market for end products in the electronics industry has been significantly reduced and the proportion of investment has slowed down; However, the Company is expected to maintain a stable growth trend this year. To become the staunchest backing of our customers, the Company as a professional agent of high-end products for the electronics industry has maintained existing advanced equipment, materials and general agent of key components and parts and actively crossed to new production field in the electronics industry to grow jointly with customers and suppliers.

The performance in 2020 grew significantly compared with the previous two years. In the future, we will continue to adhere to the solid operation, and endeavor to maintain profitability by controlling operating costs and improving business performance. The results of the 2020 business are as follows:

The consolidated operating income of the Company as of December 31, 2020 was NTD 1,386,400 thousand, an increase of 20.11% compared with NTD 1,154,228 thousand in 2019. The net profit attributable to owners of the parent company was NTD 176,191 thousand, which was 130.49% increase from NTD 76,441 thousand in 2019.The earnings per share was NTD 4.86, an increase of 130.33% from NTD 2.11 in 2019.

1. 2020 Consolidated Business Results:

   A. Operational implementation results

Units: NT$ in thousands, %

| Item | 2019 | 2020 | Diff | Diff% |
|---|---|---|---|---|
| Operating income | 1,154,228 | 1,386,400 | 232,172 | 20.11 |
| Operating gross profit | 340,945 | 498,723 | 157,778 | 46.28 |
| Operating net income | 66,663 | 202,971 | 136,308 | 204.47 |
| Net rofit before tax | 99,149 | 210,122 | 110,973 | 111.93 |
| Net profit | 76,202 | 176,641 | 100,439 | 131.81 |
| Net profit attributable to owners of the parent company | 76,441 | 176,191 | 99,750 | 130.49 |
| Basic earnings per share (NT$) | 2.11 | 4.86 | 2.75 | 130.33 |

B. Consolidated Financial income and expenditures

Units: NT$ in thousands

| Item | 2019 | 2020 |
|---|---|---|
| Cash flow from operating activities | 110,709 | 254,983 |
| Cash flow from investment activities | (29,200) | 12,247 |
| Cash flow from financing activities | (50,805) | (60,445) |
| Gains (losses) on cash and cash equivalents | 27,453 | 204,180 |
| Cash and cash equivalents at the beginning of the period | 478,514 | 505,967 |
| Cash and cash equivalents at the end of the period | 505,967 | 710,147 |

C. Profitability

| Item | | 2019 | 2020 |
|---|---|---|---|
| Return on assets (%) | | 7.01 | 14.52 |
| Return on equity (%) | | 9.28 | 19.99 |
| Ratio to paid-in capital (%) | Operating profit margin | 18.37 | 55.93 |
| | Income before Tax | 27.32 | 57.90 |
| Net Profit Margin (%) | | 6.60 | 12.74 |
| EPS (NT$) | | 2.11 | 4.86 |

2. 2021 Business Plan

A. Enhance customer satisfaction and provide instant service.

B. Develop new product distributorship that respond to customer needs.

C. Update information architecture and process optimization continuously to improve management performance with computer systems.

D. Strengthen employee education and training to serve customers with professional employees.

E. Steady operation and increase shareholders' equity.

3. The Future Development Strategy of The Company

A. Seeking local and international strategic alliance partners, and distribute products in high-tech fields.

B. Establish a talent network in the high-tech field and find talented employees to serve customers.

C. Strict and reasonable implementation of credit control and continuous strengthening of risk control.

4. The influence of external competitive environment, regulatory environment and overall business environment:

Under the global concern about corporate social responsibility and environmental protection issues, Taiwan Kong King will fulfill its corporate social responsibility with a sense of mission to society. In order to protect the earth, we will continue to introduce the most advanced green energy equipment, materials and key technologies from the electronics industry to the Taiwan market to provide products with low energy consumption and high production value.

Finally, I would like to thank all the shareholders of Taiwan Kong King. With the long-term support of the shareholders and the efforts of the company's employees, I believe Taiwan Kong King can continue to grow in stability. I wish you good health and good luck!

Chairman HO SHU-CHAN

General Manager LIAO HUNG-YING

# II. Company Profile

1. Date of incorporation: June 14, 1975

2. Company history

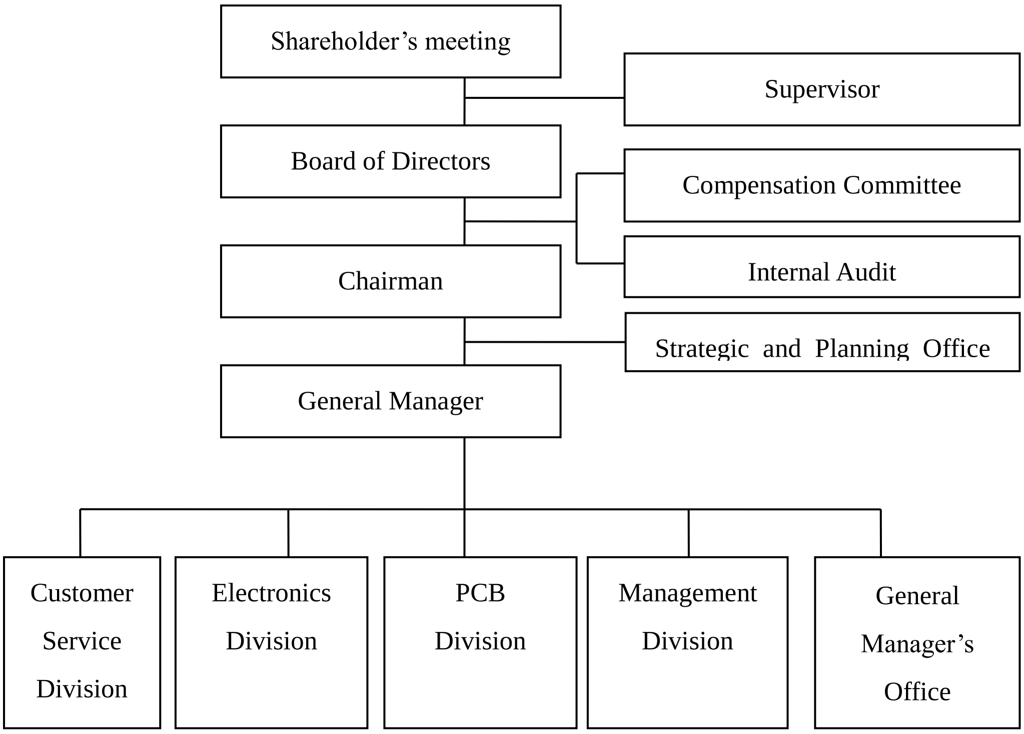
| | |
|---|---|
| 1977 | Taiwan Kong King was established and entered into the PCB industry. |
| 1983 | The Taipei office moved to Luzhu, Taoyuan. |
| 1989 | Established Kaohsiung Office. |
| 1994 | Entered into SMT industry. |
| 1995 | Purchased and moved to the new office building (Zhongzheng International Building, Luzhu, Taoyuan) |
| 1996 | Expanded the services for semiconductor industry equipment |
| 1998 | ISO 9002 certified |
| 1998 | Established Hsinchu Office. |
| 1999 | Developed photoelectric industry equipment business. |
| 2000 | Public issuance. Developed new precision printed circuit board testing business |
| 2001 | Established TKK HIOKI Co., Ltd. with Japanese company Hioki E.E. Corp. |
| 2002 | Expanded HDI board testing business.. Re-investmented Hiking Technology Co., Ltd. |
| 2002 | Verified by ISO 9001:2000. |
| 2003 | Re-investmented Technology Kong King Electronics Co., Ltd. (Shanghai) |
| 2004 | Established Southern Taiwan Science Park Office |
| 2005 | Listed in the OTC market on June 17, with the stock code 3093 and capital of NT$272,734,000. |
| 2006 | Introduced ERP system.<br>Established THT Technology Co., Ltd. with Japanese company Hioki E.E. Corp. |
| 2007 | Introduced CSM system. |
| 2008 | Re-investmented The Kong King Technology Co., Ltd. (Suzhou)<br>Awarded Evergreen Enterprise "Special Contribution Award" by Taoyuan City Government. |
| 2009 | The capital increased NT$17,280,420, total paid-up capital became NT$362,888,940. |
| 2010 | Verified by ISO 9001:2008. |
| 2011 | Awarded "A+ Club" by Global Views Monthly for the third year in a row, and was promoted as a five-star company. |
| 2012 | Hiking Technology Co., Ltd. added a new precision printed circuit board fixture manufacturing business. |
| 2013 | Received “Happy Enterprise Award” from Taipei City Government and “Service Quality Excellence Award” from Taoyuan City Government. |

| | |
|---|---|
| 2015 | Ranked top 5% of all OTC companies from the first corporate governance review. |
| 2015 | Selected as one of the top 100 giants in the 2015 CSR Corporate Citizenship Awardsof the CommonWealth Magazine |
| 2016 | Selected as one of the top 100 giants in the 2016 CSR Corporate Citizenship Awardsof the CommonWealth Magazine. |
| 2018 | The subsidiary TKK HIOKI Co., Ltd. was renamed to TKK Precision Co., Ltd. |
| 2019 | Awarded the 2019 Outstanding Business Entity in Taoyuan area by National Taxation Bureau of the Northern Area, Ministry of Finance. |
| 2019 | Selected as one of the top 100 fast-growing companies in CommonWealth Magazine in 2020. |

# III. Corporate Governance Report

1. Organizational Structure

(1) Organizational Chart



(2) Department functions

| Department | Functions |
| --- | --- |
| General Manager’s Office | Includes secretary, MIS, development team, project development and overseas development department.<br>Secretary: Assist in handling the day-to-day administrative business.<br>MIS: Related operations such as company computer maintenance and information system management.<br>Development team, project team: New product introduction and market development, project equipment distribution negotiation.<br>Overseas Development Department: Responsible for overseas market sales and after-sales service related business. |
| Internal Audit | Formulate the company's annual audit plan, audit the implementation of the company's various departments' rules and regulations, check and evaluate whether the company's internal operations are appropriate and sound, in order to obtain effective internal control at a reasonable cost. |
| Management Division | The division includes the Finance Department, Management Department, Procurement Department and Sales and Marketing Department.<br>Finance Department: Cashier and accounting matters.<br>Management Department: Import and export operations, general affairs and personnel management operations.<br>Procurement Department: Responsible for company procurement matters.<br>Sales and sales department: Sales management of inventory sales and |
| PCB Division | PCB equipment and materials sales planning, market research, operating activities and market development plans, development and implementation. |
| Electronics Division | SMT, semiconductor and optical communications sales planning, market research, operating activities and market development plans, development and implementation. |
| Customer Service Division | Equipment installation and related warranty, after-sales service and control of inventories. |

2. Information on the company's directors, supervisors, general manager, assistant general managers, associates, and the supervisors of all the company's divisions and branch units

A. Information of thedirector and supervisor

April 17, 2020

| Title | Name | Gender | Nationality or Place of Registration | Inauguration date | Term (year) | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Current Shareholding | | Current Shareholding in the name of others | | Experience (Education) | Current Positions at The Company and Other Companies | Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | | Remarks (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | Wong's Kong King International (Holdings) | - | Bermuda | 107.06.20 | 3 | 66.06.14 | 24,473,836 | 67.44 | 24,473,836 | 67.44 | 0 | 0.00 | 0 | 0.00 | - | - | - | - | - | - |
| Chairman | Wong's Kong King International (Holdings) Limited Representative：HO SHU-CHAN | Male | Hong Kong | 107.06.20 | 3 | 66.06.14 | 24,473,836 | 67.44 | 24,473,836 | 67.44 | 0 | 0.00 | 0 | 0.00 | Wong's Kong King International (Holdings) Limited | TKK: Chairman：<br>Other companies: CFO of Wong's Kong King International (Holdings) Limited | - | - | - | - |
| Director | Wong's Kong King International (Holdings) Limited, Representative：HSU HUNG-CHIEH | Male | R.O.C. | 107.06.20 | 3 | 90.03.11 | 24,473,836 | 67.44 | 24,473,836 | 67.44 | 0 | 0.00 | 0 | 0.00 | TKK's Chairman and general manager | TKK: None<br>Other companies: None | - | - | - | - |
| Director | Wong's Kong King International (Holdings) Limited Representative：SENTA WONG | Male | Canada | 107.06.20 | 3 | 66.06.14 | 24,473,836 | 67.44 | 24,473,836 | 67.44 | 0 | 0.00 | 0 | 0.00 | 2000 chairman of Tung Wah Group of Hospitals | TKK: None<br>Other companies: Chairman of Wong's Kong King International (Holdings) Limited | - | - | - | - |
| Director | Wong's Kong King International (Holdings) Limited Representative：TSUI YING-CHUN | Male | Hong Kong | 107.06.20 | 3 | 66.06.14 | 24,473,836 | 67.44 | 24,473,836 | 67.44 | 0 | 0.00 | 0 | 0.00 | Wong's Kong King International (Holdings) Limited | TKK: None<br>Other companies:<br>Group President and CEO of Wong's Kong King International (Holdings) Limited | - | - | - | - |

| Title | Name | Gender | Nationality or Place of Registration | Inauguration date | Term (year) | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Current Shareholding | | Current Shareholding in the name of others | | Experience (Education) | Current Positions at The Company and Other Companies | Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | | Remarks (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | Wong's Kong King International (Holdings) Limited Representative：CHANG JUI-SHUM | Male | Hong Kong | 107.06.20 | 3 | 97.06.16 | 24,473,836 | 67.44 | 24,473,836 | 67.44 | 0 | 0.00 | 0 | 0.00 | General Manager of WKK distribution ltd. | TKK: None<br>Other companies:<br>Director and President of WKK Distribution Limited<br>Director of The Kong King Technology Co., Ltd, (Suzhou) | - | - | - | - |
| Director | LIAO HUNG-YING | Male | R.O.C. | 107.06.20 | 3 | 97.01.18 | 188,798 | 0.52 | 487,000 | 1.34 | 8,112 | 0.02 | 0 | 0.00 | TKK General Manager<br>The 31st NCCU entrepreneurship academy | TKK: General Manager<br>Other companies:<br>Chaiman of Hiking Technology Co., Ltd.<br>Chaiman of The Kong King Technology Co., Ltd, (Suzhou)<br>Chaiman ofTHT Technology Co., Ltd.<br>Chaiman ofTKK Precision Co., Ltd. | - | - | - | - |
| Director | CHEN MEI-FEN | Female | R.O.C. | 107.06.20 | 3 | 90.03.11 | 287,035 | 0.79 | 287,035 | 0.79 | 466 | 0.00 | 0 | 0.00 | TKK Deputy General Manager<br>Department of Business AdministrationChung Yuan Christian University | TKK: Deputy General Manager<br>Other companies:<br>Supervisor of TKK Precision Co., Ltd.<br>Supervisor of THT Technology Co., Ltd.<br>Supervisor of The Kong King Technology Co., Ltd, (Suzhou)<br>Supervisor of Hiking Technology Co., Ltd. (Suzhou) | - | - | - | - |
| Independent Director | LOK ARTHUR K. | Male | Hong Kong | 107.06.20 | 3 | 91.07.25 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Director of APEX INSURANCE LTD | TKK: None<br>Other companies: Director of APEX INSURANCE LTD | - | - | - | - |

| Title | Name | Gender | Nationality or Place of Registration | Inauguration date | Term (year) | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Current Shareholding | | Current Shareholding in the name of others | | Experience (Education) | Current Positions at The Company and Other Companies | Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | | Remarks (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Independent Director | HUANG WEN-YUEAN | Male | R.O.C. | 107.06.20 | 3 | 98.06.16 | 1,050 | 0.00 | 1,050 | 0 | 1,050 | 0 | 0 | 0.00 | EMBA of Electronics Engineering, NCTU<br>Director of the plant of Taiwan Semiconductor Manufacturing | TKK: None<br>Other companies: None | - | - | - | - |
| Independent Director | CHAN CHUN-YEN | Male | R.O.C. | 107.06.20 | 3 | 92.06.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Chairman of Keng Di ltd. | TKK: None<br>Other companies:<br>Chairman of Keng Di Ltd.<br>Independent director of MKS CORP. | - | - | - | - |
| Supervisor | Top Range Machinery | - | R.O.C. | 107.06.20 | 3 | 91.07.25 | 378,484 | 1.04 | 378,484 | 1.04 | 0 | 0.00 | 0 | 0.00 | - | - | - | - | - | - |
| Supervisor | Top Range Machinery Representative：<br>KEN CHOU | Male | R.O.C. | 107.06.20 | 3 | 91.07.25 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Chairman of Top Range Machinery Co., Ltd. | TKK：None<br>Other companies: Chairman of Top Range Machinery<br>Chairman of Hsiang Yi Industrial Co., Ltd | - | - | - | - |
| Supervisor | WU KUO-HSIEN | Male | R.O.C. | 107.06.20 | 3 | 91.07.25 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Chairman of the Maxtron Corporation | TKK：None<br>Other companies:<br>Chairman of the Maxtron Corporation<br>Independent director of MKS CORP. | - | - | - | - |
| Supervisor | TSAI CHIH-WEI | Male | R.O.C. | 107.06.20 | 3 | 98.06.16 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Accountant of Chianye<br>EMBA of NTU<br>Master degree of the NCCU accounting department | TKK：None<br>Other companies:<br>Accountant of Chianye Accounting Firm<br>Independent director of Universal Microwave Technology,Inc.<br>Independent director of Taiwan Chinsan Electronic Industrial Co., Ltd.<br>Independent director of Yankey Engineering Co., Ltd. | - | - | - | - |

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and more than half of the directors shall not serve as employees or managers, etc.).

Table 1: Major shareholders of institutional shareholders

April 18, 2021

| Name of Institutional Shareholder | Major Shareholders | Shareholdings (%) |
|---|---|---|
| Wong's Kong King International (Holdings) Limited | Greatfamily Inc.[Note] | 28.49 |
| | Greatguy(PTC) Inc.[Note] | 28.49 |
| | Senta Wong (BVI) Limited | 16.73 |
| | HSBC International Trustee Limited | 6.26 |
| | Mr. Wong Chung Yin | 5.86 |
| Top Range Machinery Co., Ltd. | Yontex Investment Limited | 16.80 |
| | Niensheng Investment Limited | 14.41 |
| | Hong Kong Taiwan Kong King Limited | 9.03 |
| | Jin-Ji Chou | 8.81 |
| | Ken Chou | 7.88 |
| | Yueh-Chu Chan | 7.50 |
| | Ying-Nan Chou | 6.97 |
| | Zhen-Fong Hong | 4.52 |
| | Hsin-Hsien Chou | 4.19 |
| | Huang-Hsueh Chou | 3.96 |

Note: Greatfamily Inc. is registered in the name of Rewarding Limited, which is wholly-owned by a discretionary trust owned by Greatfamily Inc. (a wholly owned by Greatguy (PTC) Inc.). The shares owned by Greatfamily Inc. refer to the same shares as the shares owned by Greatguy (PTC) Inc.

Table 2： Major shareholders of the Company’s major institutional shareholders in table 1

April 18, 2021

| Name of Institutional Shareholder | Major Shareholders | Shareholdings (%) |
|---|---|---|
| Greatfamily Inc. | Greatguy(PTC) Inc. | 100.00 |
| Senta Wong (BVI) Limited | Mr. Senta Wong | 50.25 |
| | Ms. Wong Wu Lai Ming Lily | 49.75 |
| Yontex Investment Limited | Ken Chou | 29.23 |
| Niensheng Investment Limited | Jin-Ji Chou | 37.22 |
| Hong Kong Taiwan Kong King Limited | Taiwan Kong King Co., Ltd. | 99.99 |

<u>Information about director and supervisor (2)</u>

April 18, 2021

| Criteria / Name | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Attribute (See Note 2 Below) | | | | | | | | | | | | Number of Holding Concurrent Independent Director Position in Other Public Companies |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| HO SHU-CHAN | | | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | ✓ | | 0 |
| SENTA WONG | | | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | ✓ | | 0 |
| HSU HUNG-CHIEH | | | ✓ | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | | 0 |
| TSUI YING-CHUN | | | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | | ✓ | | 0 |
| CHEN MEI-FEN | | | ✓ | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| LIAO HUNG-YING | | | ✓ | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| CHANG JUI-SHUM | | | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | | 0 |
| LOK ARTHUR K. | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| HUANG WEN-YUEAN | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| CHAN CHUN-YEN | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| WU KUO-HSIEN | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| KEN CHOU | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 |
| TSAI CHIH-WEI | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 |

Note 1: The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during his term of office, please "tick" the appropriate corresponding boxes.

(1) Not an employee of this Company or its affiliates.

(2) Directors and supervisors who are not those of the Company or affiliated companies; provided, it does not apply to

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

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) A director of a supervisor who is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the subparagraph (2) and (3).

(5) A director, supervisor, or employee of a corporate shareholder that does not directly hold five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) A majority of the Company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7) The chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are not the same person or are not spouses: a director (or governor), supervisor, or employee of that other company or institution; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(8) A director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that does not have a financial or business relationship with the Company; provided, it does not apply to a specific company or institution tha holds more than 20%, but not more than 50% of shares issued by the Company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) A professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, does not provide auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Those who are not the spouses of or are not related within the second degree of kinship to other directors.

(11) There are no cases mentioned in Article 30 of the Company Act.

(12)There is no government agency, juristic person or their representative acting as a shareholder of a company according to Article 27 of the Company Act.

B. Information of the general manager, assistant general manager, senior managers of departments and branches:

April 18, 2021

| Title | Nationality | Name | Gender | Inauguration date | Shareholding | | Spouses & Minor Shareholding | | Current Shareholding in the name of others | | Current Positions at Other Companies | Current Positions at Other Companies | Managers who are spouses or within two degrees of kinship | | | Remarks (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | R.O.C. | HO SHU-CHAN | Male | 107.06.20 | 24,473,836 | 67.44 | 0 | 0.00 | 0 | 0.00 | Wong's Kong King International (Holdings) Limited | CFO of Wong's Kong King International (Holdings) Limited | - | - | - | - |
| General Manager | R.O.C. | LIAO HUNG-YING | Male | 96.10.04 | 487,000 | 1.34 | 8,112 | 0.02 | 0 | 0.00 | Managing Director of the TPCA Environment Foundation<br>St. John's University<br>The 3rd, 4th, 5th and 6th Supervisor of the Taiwan Printed Circuit Association<br>The 31st NCCU entrepreneurship academy | Chairman of Hiking Technology Co., Ltd.<br>Chairman of The Kong King Technology Co., Ltd, (Suzhou)<br>Chairman of THT Technology Co., Ltd.<br>Chairman of TKK Precision Co., Ltd. | - | - | - | - |
| Senior deputy general Manager of Customer Service | R.O.C. | FAN DING-CHI | Male | 86.05.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Department of Electronics Engineering of Lunghwa University of Science and Technology | General Manager of TKK Precision Co., Ltd.<br>Director of Hiking Technology Co., Ltd.<br>Director of The Kong King Technology Co., Ltd, (Suzhou) | - | - | - | - |
| Senior deputy general Manager of the Management Division | R.O.C. | CHEN MEI-FEN | Female | 96.03.01 | 287,035 | 0.79 | 466 | 0.00 | 0 | 0.00 | Department of Business AdministrationChung Yuan Christian University | Supervisor of TKK Precision Co., Ltd.<br>Supervisor of TKK Precision Co., Ltd.<br>Supervisor of THT Technology Co., Ltd.<br>Supervisor of The Kong King Technology Co., Ltd, (Suzhou)<br>Supervisor of Hiking Technology Co., Ltd. (Suzhou)<br>Director of Top Range Machinery Co., Ltd.<br>Director of Leetech International | - | - | - | - |

| Title | Nationality | Name | Gender | Inauguration date | Shareholding | | Spouses & Minor Shareholding | | Current Shareholding in the name of others | | Current Positions at Other Companies | Current Positions at Other Companies | Managers who are spouses or within two degrees of kinship | | | Remarks (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Senior deputy General Manager of the PCB Division | R.O.C. | LIAO DE-HSIANG | Female | 96.07.01 | 101,340 | 0.28 | 14,512 | 0.04 | 0 | 0.00 | Chemical engineering of the Ta Hwa University of Science and Technology | Director of TKK Precision Co., Ltd.<br>Deputy CEO of THT Technology Co., Ltd.<br>Director of Hiking Technology Co., Ltd. (Suzhou) | - | - | - | - |
| Deputy General Manager of the PCB Division | R.O.C. | CHENG FU-WEN | Male | 96.07.01 | 14,000 | 0.04 | 0 | 0.00 | 0 | 0.00 | Department of Electronics Engineering of ChungYuan Christian University | General Manager of Hiking Technology Co., Ltd.<br>Deputy CEO of The Kong King Technology Co., Ltd, (Suzhou) | - | - | - | - |
| Deputy General Manager of the South Office | R.O.C. | CHUANG HONG-YI | Male | 90.04.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Electrical, electronics, instrument and control department of National United University | - | - | - | - | - |
| Senior manager of customer service | R.O.C. | CHANG JUN-GU | Male | 96.04.01 | 10,799 | 0.03 | 8,016 | 0.02 | 0 | 0.00 | Electronics Engineering of the Taipei City University of Science and Technology | Director of the plant of THT Technology Co., Ltd. | - | - | - | - |
| Senior manager of customer service | R.O.C. | LIU REN-JIEN | Male | 103.04.01 | 11,420 | 0.03 | 0 | 0.00 | 0 | 0.00 | Electronics Engineering of the NCU | - | - | - | - | - |
| Senior manager of Management Division | R.O.C. | CHOU TSUI-HSIA | Female | 93.11.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Accounting and statistics department of Ling Tung University | - | - | - | - | - |
| Senior manager of PCB Division | R.O.C. | TSOU REN-ZHE | Male | 94.06.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | EMBA of NCU | - | - | - | - | - |
| Senior manager of PCB Division | R.O.C. | HSU JI-TSUN | Male | 99.07.01 | 6,546 | 0.02 | 203 | 0.00 | 0 | 0.00 | Masters degree on chemical engineering of ChungYuan Christian University | - | - | - | - | - |

| Title | Nationality | Name | Gender | Inauguration date | Shareholding | | Spouses & Minor Shareholding | | Current Shareholding in the name of others | | Current Positions at Other Companies | Current Positions at Other Companies | Managers who are spouses or within two degrees of kinship | | | Remarks (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Senior manager of PCB Division | R.O.C. | HSU YUAN-HSUN | Male | 103.04.01 | 0 | 0.00 | 6,000 | 0.02 | 0 | 0.00 | Department of Electronics Engineering of ChungYuan Christian University | - | - | - | - | - |
| Senior manager of PCB Division | R.O.C. | YANG ZHU-HONG | Male | 90.10.29 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Japanese language department of Tamkan University | - | - | - | - | - |
| Senior manager of PCB Division | R.O.C. | LIN JUN-DE | Male | 88.03.16 | 15,961 | 0.04 | 0 | 0.00 | 0 | 0.00 | Department of Electronics, Minghsin University of Science and Technology | - | - | - | - | - |
| Senior manager of the South Office | R.O.C. | CHUANG HONG-YI | Male | 90.04.01 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Electrical, electronics, instrument and control department of National United University | - | - | - | - | - |
| Senior manager of Electronics Division | R.O.C. | WU SHANG-WEN | Male | 96.04.01 | 207 | 0.00 | 0 | 0.00 | 0 | 0.00 | Business Mathematics of the Soochow University | - | - | - | - | - |
| Senior manager of Electronics Division | R.O.C. | PAN CHING-LUNG | Male | 89.07.18 | 4,000 | 0.01 | 0 | 0.00 | 0 | 0.00 | Electronics Engineering of the Oriental Institute of Technology | - | - | - | - | - |

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and more than half of the directors shall not serve as employees or managers, etc.).

C. Remuneration paid during the most recent fiscal year to directors (including independent directors), supervisors, the general manager, and assistant general managers

(1) Remunerations of Directors (including independent directors)

December 31, 2020/Unit: NT$Thousand

| Title | Name | Remunerations of Directors | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10) | | Relevant remuneration received by directors who are also employees | | | | | | | | Ratio of total compensation (A+B+C+D+E+F + G) to net income (Note 10) | | Compensation paid to directors from non-consolidated affiliates or parent company (Note 11) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Compensation (A) (Note 2) | | Severance Pay (B) | | Directors Compensation (C)(Note 3) | | Allowances (D)(Note 4) | | | | Salary, Bonuses and Allowances (E) (Note 5) | | Severance Pay (F) | | Employee Compensation (G) (Note 6) | | | | | | |
| | | The Company | All companies in the consolidated financial statement (Note 7) | The Company | All companies in the consolidated financial statement (Note 7) | The Company | All companies in the consolidated financial statement (Note 7) | The Company | All companies in the consolidated financial statement (Note 7) | The Company | All companies in the consolidated financial statement (Note 7) | The Company | All companies in the consolidated financial statement (Note 7) | The Company | All companies in the consolidated financial statement (Note 8) | The Company | | All companies in the consolidated financial statement (Note 8) | | The Company | All companies in the consolidated financial statement (Note 7) | |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman | HO SHU-CHAN | 0 | 0 | 0 | 0 | 1,136 | 1,436 | 0 | 0 | 0.64% | 0.81% | 10,355 | 13,857 | 17,570 | 17,570 | 0 | 0 | 0 | 0 | 16.49% | 18.65% | - |
| Director | SENTA WONG | | | | | | | | | | | | | | | | | | | | | |
| Director | TSUI YING-CHUN | | | | | | | | | | | | | | | | | | | | | |
| Director | HSU HUNG-CHIEH | | | | | | | | | | | | | | | | | | | | | |
| Director | CHEN MEI-FEN | | | | | | | | | | | | | | | | | | | | | |
| Director | LIAO HUNG-YING | | | | | | | | | | | | | | | | | | | | | |
| Director | CHANG JUI-SHUM | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | LOK ARTHUR K. | 0 | 0 | 0 | 0 | 486 | 486 | 0 | 0 | 0.28% | 0.28% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.28% | 0.28% | - |
| Independent Director | HUANG WEN-YUEAN | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | CHAN CHUN-YEN | | | | | | | | | | | | | | | | | | | | | |

1.ease state the payment policy, system, standards and structure of the remuneration of the independent directors, and explain the relevance to the amount of remuneration according to their responsibilities, risks, time invested, etc.: In accordance with Article 19 of the Articles of Incorporation, the Company shall allocate below 1% of the balance by subtracting the profit before tax by employees' remuneration and directors' and supervisors' remuneration in the current year as the remuneration for directors and supervisors. The remuneration of directors and supervisors will be subject to the changes in profit before tax. The aforementioned measures shall be reasonable.

2. In addition to the content disclosed in the aforementioned table, please state the remuneration obtained by the directors of the Company providing services (such as serving as non-employee consultant) to all the companies in the financial statement during the most recent year: None.

Note :1. The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2020, of which the surplus distribution reveals the proposed number of surplus distribution in 2020.
2. The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2020.

## Range of Remunerations

| Range of remuneration | Names of Directors | | | |
|---|---|---|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The company (Note 8) | Companies in the consolidatedfinancial statements (Note 9)H | The company(Note 8) | Companies in the consolidated financial statements (Note 9)I |
| Under NT$ 1,000,000 | Wong's Kong King (SENTA WONG ,HSU HUNG-CHIEH , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM ), CHEN MEI-FEN , LIAO HUNG-YING, LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN | Wong's Kong King (SENTA WONG , HSU HUNG-CHIEH , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM ), CHEN MEI-FEN , LIAO HUNG-YING, LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN | Wong's Kong King (SENTA WONG , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM , HSU HUNG-CHIEH ) ,LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN | Wong's Kong King (SENTA WONG , TSUI YING-CHUN ,HO SHU-CHAN , CHANG JUI-SHUM , HSU HUNG-CHIEH ), LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN |
| NT$1,000,000 (included) ~ NT$2,000,000 (excluded) | | | | |
| NT$2,000,000 (included) ~ NT$3,500,000 (excluded) | | | | |
| NT$3,500,000 (included) ~ NT$5,000,000 (excluded) | | | LIAO HUNG-YING , CHEN MEI-FEN | CHEN MEI-FEN |

| Range of remuneration | Names of Directors | | | |
|---|---|---|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The company (Note 8) | Companies in the consolidatedfinancial statements (Note 9)H | The company(Note 8) | Companies in the consolidated financial statements (Note 9)I |
| NT$5,000,000 (included) ~ NT$10,000,000 (excluded) | | | | LIAO HUNG-YING |
| NT$10,000,000 (included) ~ NT$15,000,000 (excluded) | | | | |
| NT$15,000,000 (included) ~ NT$30,000,000 (excluded) | | | | |
| NT$30,000,000 (included) ~ NT$50,000,000 (excluded) | | | | |
| NT$50,000,000 (included) ~ NT$100,000,000 (excluded) | | | | |
| Over NT$100,000,000 | | | | |
| Total | 10 | 10 | 10 | 10 |

Note 1: The names of directors should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment. If the director is also the general manager or assistant general manager, the above table and table 3 should be filled out.

Note 2: This table refers to the remuneration of directors in the most recent year (including directors' salary, professional allowance, severance pay, various awards and bonuses).

Note 3: The amount of directors' remuneration distributed by the board of directors in the most recent year is included.

Note 4: This table refers to the relevant business execution expenses of directors in the most recent year (such as traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration.

Note 5: This table refers to the salary, professional allowance, severance pay, various awards and bonuses, traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies of the directors as concurrent employees in most recent years (including concurrent general manager, assistant general manager, other managers and employees). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration. The salary expenses recognized in accordance with the “Share-based payment” of IFRS 2, which includes obtaining employee stock option certificates, new restricted employee shares and participating in the subscription shares of cash capital increase, shall also be included in the remuneration.

Note 6: This table refers to the directors as concurrent employees in most recent years (including concurrent general manager, assistant general manager, other managers and employees) who obtain employee compensation (including stocks and cash), and should disclose the amount of compensation paid by the board of directors in the most recent year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the proportion of the actual distribution amount last year, and should be added to table (1-3).

Note 7: The total amount of emoluments paid by all companies (including our company) to the directors of the company should be disclosed.

Note 8: The table shows the total amount of each director's remuneration paid by the company, and exposes the name of the director in the ownership rank.

Note 9: The total remuneration of each director of all the companies (including our company) in the consolidated report should be disclosed, and the name of the director should be exposed in the ownership rank.

Note 10: The “net profit after tax” is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 11: a. This column should clearly state the amount of remuneration for directors of the company to receive the remuneration from non-consolidated affiliates or parent company.

b. If the director of the company receives remuneration from non-consolidated affiliates or parent company, the director shall incorporate the remuneration into the “I” column of the remuneration scale, and change the name of the column to “parent company and all re-invested companies”.

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the directors of the company serve as directors, supervisors or managers of the non- consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

(2) Remunerations of Supervisors

December 31, 2020/Unit: NT$Thousand

| Title | Name | Remuneration of Supervisors | | | | | | Ratio of Total Remuneration (A+B+C) to Net Income (%)(Note 8) | | Compensation Paid to Supervisors from non-consolidated affiliates or parent company (Note 9) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Base Compensation (A) (Note 2) | | Allowances (B) | | Business execution cost (C) (Note 4) | | | | |
| | | The company | Companies in the consolidated financial statements(Note 5) | The company | Companies in the consolidated financial statements(Note 5) | The company | Companies in the consolidated financial statements(Note 5) | The company | Companies in the consolidated financial statements(Note 5) | |
| Supevisors | KEN CHOU | 0 | 0 | 486 | 486 | 0 | 0 | 0.28% | 0.28% | - |
| Supevisors | WU KUO-HSIEN | | | | | | | | | |
| Supevisors | TSAI CHIH-WEI | | | | | | | | | |

Note 1.The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2019, of which the surplus distribution reveals the proposed number of surplus distribution in 2019.

2.The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2019.

## Range of Remunerations

| Range of Remuneration | Name of Supervisors | |
|---|---|---|
| | Total of (A+B+C) | |
| | The company(Note 6) | Companies in the consolidated financial statements(Note 7)D |
| Under NT$ 1,000,000 | Top Range Machinery(CHOU KEN), WU KUO-HSIEN, TSAI CHIH-WEI | Top Range Machinery(CHOU KEN), WU KUO-HSIEN, TSAI CHIH-WEI |
| NT$1,000,000 (included) ~ NT$2,000,000 (excluded) | | |

| Range of Remuneration | Name of Supervisors | |
|---|---|---|
| | Total of (A+B+C) | |
| | The company(Note 6) | Companies in the consolidated financial statements(Note 7)D |
| NT$2,000,000 (included) ~ NT$3,500,000 (excluded) | | |
| NT$3,500,000 (included) ~ NT$5,000,000 (excluded) | | |
| NT$5,000,000 (included) ~ NT$10,000,000 (excluded) | | |
| NT$10,000,000 (included) ~ NT$15,000,000 (excluded) | | |
| NT$15,000,000 (included) ~ NT$30,000,000 (excluded) | | |
| NT$30,000,000 (included) ~ NT$50,000,000 (excluded) | | |
| NT$50,000,000 (included) ~ NT$100,000,000 (excluded) | | |
| Over NT$100,000,000 | | |
| Total | 3 | 3 |

Note 1: The names of supervisors should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment.

Note 2: This table refers to the remuneration of supervisors in the most recent year (including supervisors' salary, professional allowance, severance pay, various awards and bonuses).

Note 3: The amount of supervisors' remuneration distributed by the board of directors in the most recent year is included.

Note 4: This table refers to the relevant business execution expenses of supervisors in the most recent year (such as traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration.

Note 5: The total amount of emoluments paid by all companies (including our company) to the supervisors of the company should be disclosed.

Note 6: The table shows the total amount of each director's remuneration paid by the company, and exposes the name of the director in the ownership rank.

Note 7: The total remuneration of each supervisor of all the companies (including our company) in the consolidated report should be disclosed, and the name of the supervisor should be exposed in the ownership rank.

Note 8: The “net profit after tax” is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 9: a. This column should clearly state the amount of remuneration for supervisors of the company to receive the remuneration from non-consolidated affiliates or parent company.

b. If the supervisor of the company receives remuneration from non- consolidated affiliates or parent company, the supervisor shall incorporate the remuneration into the “D” column of the remuneration scale, and change the name of the column to “all re-invested companies”.

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the supervisors of the company serve as directors, supervisors or managers of the non-consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

## (3) Remunerations of General manager and assistant general manager

December 31, 2020/Unit: NT$Thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A) （Note 2）</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C)（Note 3）</th><th colspan="4">Profit Sharing- Employee Bonus (D)（Note 4）</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%)（Note 8）</th><th rowspan="3">Compensation paid to the President and Vice President from non-consolidated affiliates or parent company (Note 9)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements (Note 5)</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements (Note 5)</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements (Note 5)</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements (Note 6)</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements (Note 5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>General Manager</td><td>LIAO HUNG-YING</td><td rowspan="6">9,977</td><td rowspan="6">14,208</td><td rowspan="6">440</td><td rowspan="6">440</td><td rowspan="6">10,986</td><td rowspan="6">13,111</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">12.15%</td><td rowspan="6">15.76%</td><td rowspan="6">-</td></tr>
<tr><td>Senior vice president</td><td>FAN DING-CHI</td></tr>
<tr><td>Senior vice president</td><td>CHEN MEI-FEN</td></tr>
<tr><td>Senior vice president</td><td>LIAO DE-HSIANG</td></tr>
<tr><td>Deputy General Manager</td><td>CHENG FU-WEN</td></tr>
<tr><td>Deputy General Manager</td><td>CHUANG HONG-YI</td></tr>
</table>

＊Regardless of the title, if the position is equivalent to the general manager, assistant general manager (for example: president, CEO, director...etc.), then they should be disclosed in the above table.

Further Explanation:

- The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2020, of which the surplus distribution reveals the proposed number of surplus distribution in 2020.
- The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2020.
- The actual amount of retired pension in 2020 or the amount of retirement pension recognized or distributed:
  - The actual amount of retirement pension in 2020: NT$0
  - The number of retired pension expenses or the number of withdrawals: old pension NT$94,360, new pension NT$345,672, distribution to the manager NT$0.

Range of Remuneration

| Range of Remuneration for General Manager and Deputy General Manager | General Manager and Deputy General Manager | |
|---|---|---|
| | The company（Note 6） | Companies in the consolidated financial statements (Note 7)E |
| Under NT$ 1,000,000 | | |
| NT$1,000,000 (included) ~ NT$2,000,000 (excluded) | CHENG FU-WEN | |
| NT$2,000,000 (included) ~ NT$3,500,000 (excluded) | CHUANG HONG-YI | CHENG FU-WEN, CHUANG HONG-YI |
| NT$3,500,000 (included) ~ NT$5,000,000 (excluded) | LIAO HUNG-YING, CHEN MEI-FEN , FAN DING-CHI | CHEN MEI-FEN |
| NT$5,000,000 (included) ~ NT$10,000,000 (excluded) | LIAO DE-HSIANG | LIAO HUNG-YING, LIAO DE-HSIANG, FAN DING-CHI |
| NT$10,000,000 (included) ~ NT$15,000,000 (excluded) | | |
| NT$15,000,000 (included) ~ NT$30,000,000 (excluded) | | |
| NT$30,000,000 (included) ~ NT$50,000,000 (excluded) | | |
| NT$50,000,000 (included) ~ NT$100,000,000 (excluded) | | |
| Over NT$100,000,000 | | |
| Under NT$ 1,000,000 | | |
| Total | 6 | 6 |

Note 1: The names of the general manager and assistant general manager should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment. If the director is also the general manager or assistant general manager, the above table and table 1 should be filled out.

Note 2: This table refers to the salary, professional allowance, severance pay of the general manager and assistant general manager.

Note 3: This table refers to the traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies of the general manager and assistant general manager in the most recent year. In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration. The salary expenses recognized in accordance with the “Share-based payment” of IFRS 2, which includes obtaining employee stock option certificates, new restricted employee shares and participating in the subscription shares of cash capital increase, shall also be included in the remuneration.

Note 4: The amount of remuneration (including stocks and cash) of the general manager and assistant general manager distributed by the board of directors in the most recent year is included.

Note 5: The total amount of emoluments paid by all companies (including our company) to the general manager and assistant general manager of the company should be disclosed.

Note 6: The table shows the total amount of remuneration of the general manager and assistant general manager paid by the company, and exposes the name of the general manager and assistant general manager in the ownership rank.

Note 7: The total remuneration of the general manager and assistant general manager of all the companies (including our company) in the consolidated report should be disclosed, and the name of the general manager and assistant general manager should be exposed in the ownership rank.

Note 8: The “net profit after tax” is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 9: a. This column should clearly state the amount of remuneration for the general manager and assistant general manager of the company to receive the remuneration from non-consolidated affiliates or parent company.

b. If the general manager and assistant general manager of the company receives remuneration from non-consolidated affiliates or parent company, the general manager and assistant general manager shall incorporate the remuneration into the “E” column of the remuneration scale, and change the name of the column to “all re-invested companies”.

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the general manager and assistant general manager of the company serve as directors, supervisors or managers of the non-consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

(4) The distribution of employees' compensation and the name of managers who are responsible: not applicable.

(5) The name, title and employee compensation of the top ten employees who have obtained employee compensation: not applicable.

D. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance

(1) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years：

Total remuneration as a percentage of net profit after tax of the directors, supervisors, general managers and assistant general managers of the company in 2019 and 2020 are as follows:

| Year | The company | Companies in the consolidated financial statements |
|---|---|---|
| 2019 | 21.47% | 29.43% |
| 2020 | 13.96% | 17.73% |

(2) Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

i. The remuneration of the directors and supervisors of the company is stipulated in the company's regulations: the remuneration of directors and supervisors shall be paid in less than one percent.

ii. In addition to the salary, the remuneration of the general manager and the assistant general manager are distributed according to the profit performance of the profit center. “Performance” is the most appropriate decision-making plan made under the risk factors that the company may face. It refers to the performance of the operating sector and is also reflected in profitability. Thus the remuneration of the general manager and the assistant general manager are related to future risks.

iii. The profit or loss after the tax in the denominator is the number in individual financial statements.

3. The state of the company's implementation of corporate governance

A. The state of operations of the board of directors

Board of directors held 6 (A) meetings in the recent year, the attendance of the Committee are shown as follows:

| Title | Name | Company name | In person attendance | By proxy | In person attendance rate (%) | Remarks |
|---|---|---|---|---|---|---|
| Chairman | HO SHU-CHAN | Wong's Kong King | 6 | 0 | 100% | None |
| Director | SENTA WONG | Wong's Kong King | 4 | 0 | 67% | None |
| Director | HSU HUNG-CHIEH | Wong's Kong King | 6 | 0 | 100% | None |
| Director | TSUI YING-CHUN | Wong's Kong King | 5 | 0 | 83% | None |
| Director | CHANG JUI-SHUM | Wong's Kong King | 6 | 0 | 100% | None |
| Director | LIAO HUNG-YING | | 6 | 0 | 100% | None |
| Director | CHEN MEI-FEN | | 6 | 0 | 100% | None |
| Independent Director | LOK ARTHUR K. | | 4 | 0 | 67% | None |
| Independent Director | HUANG WEN-YUEAN | | 6 | 0 | 100% | None |
| Independent Director | CHAN CHUN-YEN | | 5 | 0 | 83% | None |
| Supervisor | KEN CHOU | Top Range Machinery | 0 | 0 | 0% | None |
| Supervisor | WU KUO-SHIEN | | 6 | 0 | 100% | None |
| Supervisor | TSAI CHIH-WEI | | 4 | 0 | 67% | None |

| | |
|---|---|
| | Other mentionable items:<br>1. During operations of the Board of Directors, the meeting date, period, content, the qualified opinions/resolutions made by any independent director shall be specified:<br>(1) Matters specified in Article 14.3 of the Taiwan Securities and Exchange Act.<br>(2) Unless otherwise stated, other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing:<br>For matters of the board of directors that are subject to Article 14-3 of the Securities Exchange Act, please refer to page 60 for details; on the above-mentioned major issues and other matters, the three independent directors have not expressed any objection or reservation to the resolutions passed.<br>2. To avoid conflict of interest among directors, the Director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded: None.<br>3. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and conducting performance assessment:<br>1. The Company has established the "Provisions of the Board of Directors Meetings" of the Company in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" to follow the guidelines, and enter the directors attendance in the Board of Directors' meeting at the Market Observation Post System to expose the major resolutions of the Board of Directors on the Company's website.<br>2. Establishment of the Compensation Remuneration Committee: The Company formed the third Remuneration Committee by three independent directors on 20 June 2018. Main responsibilities: (1) After reference to the peers, the Remuneration policies for Directors, Supervisors and Managers are scheduled and regularly reviewed. (2) Regular assessment and determination of remuneration of directors and supervisors (traveling expenses) and remuneration of managers (including cash remuneration, stock options, dividends, retirement benefits, resignation payments, various allowances and various rewards).<br>3. Establishment of independent directors: The Company has established three independent directors in accordance with the law to strengthen the independent and objective functions of professional directors and supervise the operation of the board of directors. Since 2017, no objections or reservations have been raised against the proposals.<br>4. Since July 28, 2017, there was at least one independent director who personally attended the board of directors' meeting.<br>5. Communication of related parties: The company has a spokesman and a deputy spokesman, which can be used as a way of communication by interested parties. Each year, the shareholders' meeting accepts the shareholder proposal according to the time schedule, and the shareholders who have the right to make the proposal can apply for it during the acceptance period. The company will convene the board of directors for review according to relevant regulations. In addition, the website has a shareholder Q & A section, which will answer on shareholder's problems. |

B. The implementation of assessment of the board of directors

| Frequency | Period | Scope | Method | Content |
|---|---|---|---|---|
| Yearly | Evaluation is made according to the performance of the board of directors from January 1, 2020 to December 31, 2020 | Performance evaluation of individual directors | Self-assessment of directors | Performance assessment of individual directors: including management of the Company's goals and tasks, recognition of directors' responsibilities, level of participation in the operation of the Company, internal relationship management and communication, professional and continuing education of directors, and internal control. |
| | | Overall Board of Directors' performance evaluation | Internal Self-Assessment by the Board of Directors | This includes the extent of participation in the Company's operations, the quality of decisions made by the Board of Directors, the composition and structure of the Board of Directors, the election and continuing education of directors, and internal control. |

C. The state of the audit committee or the supervisor's participation in the operation of the board:

(1) The company currently has no audit committee

(2) Board of directors held 6 meetings in the recent year, the attendance of the Committee are shown as follows:

| Title | Name | In person attendance (B) | In person attendance rate (%) (B/A) | Remarks |
|---|---|---|---|---|
| Supervisor | KEN CHOU | 0 | 0% | None |

| | | | | |
|---|---|---|---|---|
| Supervisor | WU KUO-SHIEN | 6 | 100% | None |
| Supervisor | TSAI CHIH-WEI | 4 | 67% | None |

Other mentionable items:

1. Composition and responsibilities of the supervisor:
   (1) Communication between the supervisor and the company's employees and shareholders.
      A. The supervisor should understand the company's operating status to the company's employees when necessary.
      B. The supervisor answers the questions of the shareholders during the shareholders meeting.
   (2) Communication between the supervisor and the internal audit supervisor and accountant.
      A. An audit report is made by the internal audit supervisor to the supervisor on a quarterly basis.
      B. The supervisor may have access to the financial and operational status of the company at any time and may ask the accountant to provide a statement. The board of directors will also provide timely advice during the accountant's and the supervisor's attendance.
2. If the supervisor has a statement at the board of directors' meeting, the meeting date, period, content, the qualified opinions/resolutions made by any independent director shall be specified: None.

D. The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and the reason for any such departure:

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| 1. Does the company implement and disclose corporate governance in accordance with the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies? | V | | The company has implemented corporate governance in accordance with the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and disclosed in the company's website (www.tkk.com.tw). | No Difference |
| 2. Company shareholding structure and shareholders' equity<br>(1) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures?<br>(2) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual controlling company? | V<br>V | | (1) Taiwan Port Construction Company has a spokesman to deal with shareholders' rights. The remaining subsidiaries are dealt with by the chairman; if there is any dispute, they will be appointed by the legal counsel. Shareholders who have any shareholder issues (opening accounts, stock transfer, change of address, etc.) can contact the company's stock agency or the company's management office, and the contact information are disclosed in the company's website and annual report.<br>(2) Wong's Kong King International (Holdings) | No Difference |

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| (3) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises?<br>(4) Does the company stipulate internal regulations to prohibit insiders from using the undisclosed information on the market to buy and sell securities? | V<br><br><br>V | | Ltd., a major shareholder of the Company, holds 67.44% of the shares. The ultimate controller of this company is the director Mr. SENTA WONG and his family; subsidiary major shareholder details, special items - matters of related companies.<br>(3) The management rights and responsibilities of personnel, assets and finance between the Company and its subsidiaries are clearly distinguished and controlled by relevant personnel such as the Management division and the Audit department.<br>(4) The Company has established "Information and Rules for the Prevention of Insider Trading". | |
| 3. Composition and duties of the board of directors<br>(1) Does the board of directors formulate a diversified policy and implement it in terms of membership composition? | <br><br>V | | (1) The Company established "Corporate Governance Principles" on Oct. 27, 2014. The Company stipulated diversified strategies (disclosed in the Company's website) in Chapter 3, "Strengthening the Competency of | No major differences except for (2) the proposed development of other functional committees. |

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| (2) Does the company voluntarily set up other functional committees in addition to the remuneration committee and the audit committee?<br>(3) Does the Company establish the regulations and methods for the performance assessment of the board of directors, conduct performance assessment each year on a regular basis, report the results of the performance assessment to the board of directors, and apply it as a reference to individual directors' remuneration, nomination and reappointment?<br>(4) Does the company regularly assess the independence of the visa accountant? | V<br><br><br><br>V<br><br><br><br><br><br><br><br>V | | Board of Directors". The nomination and election of members of the board are in compliance with the provisions in Articles of Incorporation. The Company adopted candidate nomination system. In addition to evaluating the academic background and experiences of each candidate, the Company also referenced the opinions from the stakeholders and complied with the "Rules for the Election of Directors and Supervisors" and "Corporate Governance Principles" to ensure the diversification and independency of members of the board.<br>(2) The Company has considered the demands from all aspects for the composition of the board members. The composition of the board members is diversified and has at least one female participating in the board. Among the list of the 10 board members of the Company, foreign directors accounted for 50%; independent directors accounted for 30%; | |

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| | | | directors with employee identity accounted for 20%; female directors accounted for 10%. 7 directors are above the age of 70, 2 directors are within the age of 50~60 and 1 director is below the age of 60.<br>The company attaches great importance to the professional knowledge and skills of the board of directors, and the goal is to have at least one accounting professional director. It is expected to add a director with an accountant certificate to the 15th board of directors to achieve the goal. In addition, the goal is that the term of at least two independent directors does not exceed three consecutive terms, and the goal is expected to be reached in the 15th board of directors (that is, this year).<br>(3) Among the list of 10 board members, for skills in leadership, business judgement, business management, crisis handling, industrial knowledge and international market view, we have Wang, Zhong Tong, He, Shu Can, Xu, | |

| Items | Implementation Status | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| | | | Ying Chun, Xu, Hong Jie, Zhang, Rui Shen, Liao, Feng Ying and Chen, Mei Fen; for capabilities in accounting and financial analysis, we have He, Shu Can and Chen, Mei Fen. Our 3 independent directors are all equipped with industrial knowledge; and Liao, Feng Ying has contributed to TPCA Environment Foundation.<br>(4) The company has not voluntarily set up other functional committees except for the establishment of the remuneration committee in accordance with the law and the Audit Committee after the 2021/06/16 Shareholders' Meeting.<br>(5) The self-assessment has been completed by self-assessment questionnaire in 2020. The assessment included the mastery of the company's goals and tasks, the cognition of directors' duties, degree of participation in operations of the company, the internal relationship communication and management, | |

| Items | Implementation Status | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| | | | director's professionalism and continuing education and internal control are all aspects of the evaluation. All the directors are competent and in compliance with the company's practical needs.<br>The self-assessment has been completed by self-assessment questionnaire by the Board of Directors in 2020. The assessment included the extent of participation in the Company's operations, the quality of decisions made by the Board of Directors, the composition and structure of the Board of Directors, the election and continuing education of directors, and internal control.<br>(6) The company shall review the independence of the accountant at least once a year by the audit office in accordance with the relevant provisions of the “CPA code of professional ethics No.10”, together with the statement of the accountant's declaration of non-compliance with independence, and report | |

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| | | | it to the board of directors for evaluation. The independence assessment in 2020 was adopted by the sixth board of directors (11/10). The independence assessment process includes financial interests, guarantees, business relationships, personal and family relationships, and employment relationships. After comprehensive evaluation, no violations of independence have been found. | |

| Items | Implementation Status | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| 4. Do TWSE / TPEx listed companies appoint an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs, including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, disposition matters relating to board meetings and shareholders meetings according to laws and producing minutes of board meetings and shareholders meetings? | V | | (1) The company is responsible for corporate governance related matters by the management office, and carries out the division of tasks for each transaction.<br>(2) The information required for the supervisor's execution of the business shall be provided by the auditing supervisor, and the rest of the matters shall be co-ordinated by the management division. | No Difference |

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| 5. Does the company establish communication channels with related parties (including but not limited to shareholders, employees, customers and suppliers), set up regions for related parties on the company's website, and respond appropriately to important corporate social responsibility issues concerning related parties? | V | | The company has a spokesman to handle matters related to the spokesman regulations, and the chairman is responsible for communicating with related parties of the subsidiary. A region for related parties is set up on the company's website and the Corporate Social Responsibility Report is exposed to respond to issues concerning related parties. | No Difference |
| 6. Does the company appoint a professional stock agency to handle the proceedings of the shareholders' meeting? | V | | It is appointed to SinoPac Securities Corporation to on handling the proceedings of the shareholders' meeting. | No Difference |
| 7. Information disclosure<br>(1) Does the company set up a website to expose financial business and corporate governance information?<br>(2) Does the company adopt other methods of information disclosure (such as setting up an English website, designating a person to be responsible for the collection and disclosure of | <br>V<br><br><br>V | | <br>(1) The Company has set up a website for investors to inquire about business and financial status.<br>(2) The language of choice on the company's website includes Chinese, Japanese, English and Simplified Chinese. The designated person shall, according to the regulations of the competent authority, place the | No Difference |

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| company information, implementing the spokesman system, and expose the legal person briefing process on the company website)?<br>(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the financial reports of the first, second, and third quarter and the monthly operating situation in advance within the prescribed time limit? | <br><br><br><br>V | | information disclosed on the Market Observation Post System or irregularly on the company website for inquiry.<br><br>(3) The Company has completed the announcement of the financial report and the monthly operating situation within the prescribed period. | |
| 8. Does the company have other important information that helps to understand the operation of corporate governance (including but not limited to employee benefits, employee care, investor relations, supplier relationships, rights of related parties, director and supervisor training, risk management) The implementation of policy and risk measurement standards, the | V | | (1)Employees' Rights and Interests: The Company has always treated employees with integrity and attached great importance to labor relations, and established good relationships with employees through various welfare measures, education and training.<br>(2)Employee care: The company pays great attention to the safety and health of employees, | No Difference |

| Items | Implementation Status | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, etc.) | | | provides the most comfortable and safe working environment for employees, and regularly performs disinfection to improve the quality of the working environment. Provide free health checkups for employees every year and pays attention to the health of employees.<br>(3)Investor Relations: The Company has a spokesman, an agent spokesman and the company's stock agent “Securities Trading Agency department of the SinoPac Securities Corporation” to provide consultation for shareholders and investors.<br>(4)Supplier Relationship: The Company maintains a good relationship with its suppliers to maintain cost and supply stability.<br>(5)Relevant information on the continuing education of directors and supervisors is disclosed in detail in the Market Observation Post System and the annual report. | |
| 9. Please explain the improvement of the company's corporate governance evaluation results released by the Corporate Governance Center of the | | | | |

| Items | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| Taiwan Stock Exchange Co., Ltd. in the most recent year, and propose priorities and measures for those who have not yet improved. (Not required for companies not being evaluated). | | | | |

| **Item No.** | **Improved Items** | **Improvement Status** |
|---|---|---|
| 2.11 | Does the Company disclose the discussions and resolutions made by the Remuneration Committee and the disposition of members' opinions made by the Company in the annual report? | The matters listed on the left were disclosed in the 2020 Annual Report. |
| 3.15 | Does the Company voluntarily disclose the amount and nature of non-audit fees paid to the certified public accountant, and any affiliated enterprise of the accounting firm of the certified public accountant in the annual report? | The matters listed on the left were disclosed in the 2020 Annual Report. |
| **Item No.** | **First Priority Improvement Items** | **First Priority Improvement Measures** |
| 2.25 | Whether the independent directors of the company have completed the training according to the number of hours specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies". | Continue to provide various high quality courses for the independent directors, and supervise on their completion of the required number of training hours according to schedule. |

Note: Regardless of whether the implementation status is "Yes" or "No", it should be stated in the summary description column.

E. If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed:

i. Information on members of the Compensation Committee

| Identity (Note1) | Condition / Name | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Attribute (Note2) | | | | | | | | | | Concurrent compensation committee position in other publicly listed companies | Remarks (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent director | HUANG WEN-YUEAN | | | V | V | V | V | V | V | V | V | V | V | V | 0 | None |
| Independent director | CHAN CHUN-YEN | | | V | V | V | V | V | V | V | V | V | V | V | 0 | None |
| Independent director | LOK ARTHUR K. | | | V | V | V | V | V | V | V | V | V | V | V | 0 | None |

Note 1: Fill in the Identity with directors, independent directors or others.

Note 2: All members comply with the following conditions from two years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

(1) Not an employee of this Company or its affiliates.

(2) Directors and supervisors who are not those of the Company or affiliated companies; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) A director of a supervisor who is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the subparagraph (2) and (3).

(5) A director, supervisor, or employee of a corporate shareholder that does not directly hold five

percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) A majority of the Company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7) The chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are not the same person or are not spouses: a director (or governor), supervisor, or employee of that other company or institution; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(8) A director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that does not have a financial or business relationship with the Company; provided, it does not apply to a specific company or institution tha holds more than 20%, but not more than 50% of shares issued by the Company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) A professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, does not provide auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) There are no cases mentioned in Article 30 of the Company Act.

Note 3: If the members are respectively directors, please indicate whether they meet the requirements of Article 6(5) of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or traded over the counter”.

ii. Operation status of the Compensation Committee

- There are 3 members in the Company's Compensation Committee.
- Current Term: From June 20, 2018 to June 19, 2021.

2. Compensation Committee held 2 meetings in the recent year up to the date of printing of the annual report, the qualifications and attendance of the Committee are shown as follows:

| Title | Name | In person attendance (B) | By proxy | In person attendance rate (%)(B/A) (Note) | Remarks |
|---|---|---|---|---|---|
| convenor | HUANG WEN-YUEAN | 2 | 0 | 100% | None |
| members | CHAN CHUN-YEN | 1 | 0 | 50% | None |
| members | LOK ARTHUR K. | 2 | 0 | 100% | None |

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (note: the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): The board of directors passed all the recommendations of the remuneration committee.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. The discussion and resolution made by the Remuneration Committee in the most recent year, and the disposition of members' opinions made by the Company:

| Date of meeting | Resolution content and subsequent disposition | Resolution | The Company's disposition of the opinions proposed by the Remuneration Committee |
|---|---|---|---|
| First meeting in 2020 2020.03.04 | 1. 2019 allocation standard of director and supervisor compensation and employee compensation.<br>2. Pay Increase Standard<br>3. Long-service bonuses | Approved by all members of the committee | Submitted to the board of directors, and approved by all attending directors |
| Second meeting in 2020 2020.11.10 | 1. Review of the 2020 payment standards of annual rewards<br>2. Remuneration of the Company's executive officers<br>3. Long-service bonuses | Approved by all members of the committee | Submitted to the board of directors, and approved by all attending directors |

| | | | |
|---|---|---|---|
| First meeting in 2021 2021.03.24 | 1. 2020 allocation standard of director and supervisor compensation and employee compensation<br>2. Remuneration of the Company's executive officers | Approved by all members of the committee | Submitted to the board of directors, and approved by all attending directors |

Note:

(1) When there is resignation of members of the remuneration committee before the end of the year, the date of resignation is indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings of the remuneration committee during their employment and their actual attendance.

(2) Before the end of the year, if there is re-election of the remuneration committee, the new and old remuneration committee members shall be filled in, and the remarks column shall indicate the member as the old, new or re-elected, and the re-election date should also be indicated. The actual attendance rate (%) is calculated based on the number of meetings of the remuneration committee during its incumbency and its actual attendance.

F. Fulfillment of social responsibility and the differences and causes with Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies:

| Items | Implementation Status (Note 1) | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions (Note 2) | |
| 1. Does the Company conduct risk evaluations on environmental, social and corporate governance issues related to the operation of the Company and establish relevant risk management policies or strategies based on the concept of materiality? | V | | The company has established the Corporate Social Responsibility Best Practice Principles, which will be checked and updated on a regular basis. The management office is responsible for managing the electricity and water consumption related to the operations of the Company, and establishing the "Energy Saving Project" to achieve the purpose of energy saving and carbon reduction. Moreover, the Company has donated to charity groups and TPCA Environment Foundation in a long term to fulfill the corporate social responsibility. | No Difference |
| 2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? | V | | The Management division of the company is responsible for promoting and implementing social responsibility, and reporting to the Board of Directors on a regular basis. | No Difference |
| 3. Environmental issues<br>(1) Does the company endeavor to utilize all resources more efficiently and use renewable | V | | (1) There is no large amount of waste generated by the company's related products, and the | No Difference |

| Items | Implementation Status (Note 1) | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions (Note 2) | |
| materials which have low impact on the environment? | | | remaining wastes are classified according to the relevant regulations of the Management Committee of the Building. | |
| (2) Does the company establish proper environmental management systems based on the characteristics of their industries? | V | | (2) The company improves resource utilization efficiency and reduces environmental load by comprehensively replacing energy-saving lighting T5 and LED lamps, promoting waste sorting, oil subsidies to encourage energy-saving vehicles, and promoting comprehensive resource recovery and rewarding employees' energy-saving proposals. | No Difference |
| (3) Does the Company assess the potential risks and opportunities of climate change for the company now and in the future, and take response measures for climate-related issues? | V | | (3) The management office is responsible for environmental maintenance and management of electricity and water used by the company to achieve energy conservation, carbon reduction and greenhouse gas reduction. | No Difference |
| (4) Does the Company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, as well as establish Company strategies for energy saving and carbon reduction, greenhouse gas reduction, reduction of water consumption or other waste management. | V | | (4) The Company has established "Energy Conservation Project" for air conditioning systems, lighting equipment and printers to save electricity consumption and reduce carbon emissions. | No Difference |

| Items | Implementation Status (Note 1) | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions (Note 2) | |
| 4. Social issues | | | | |
| (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | V | | (1) The company's management office pays attention to the update of labor regulations and provides the latest information to the subsidiaries. | No difference. However, the company will set policies and procedures for maintaining social welfare at an appropriate time, establish an effective development training plan for employees. |
| (2) Does the Company establish and implement reasonable employee benefit plans (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in the compensation of employees? | V | | (2) The Company has established "Regulations for Merit Management" and "Regulations for Class Table and Salary Structure Management". The employee performance assessment system shall be combined with the Company's Social Responsibility Best Practice Principles. | |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | V | | (3) A staff for labor and environmental safety are set up in responsible for planning, education, training and supervision. In addition, employee health checks are regularly implemented and group insurance is insured for each employee. | |
| (4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? | V | | (4) Regularly evaluate the educational training needs of each department, and find internal and external lecturers to train according to the needs to promote the development of staff capabilities. | |
| (5) Does the company comply with relevant regulations and international standards, and establish relevant consumer protection policies | V | | (5) As an equipment agent, the Company | |

| Items | Implementation Status (Note 1) | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions (Note 2) | |
| and complaint procedures for customer health and safety, customer privacy, marketing and labeling of products and services.<br>(6) Does the Company establish supplier management policies to require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and how was the implementation? | <br><br><br>V | | introduced the ISO system to implement the sales and service processes, and provided customer message service on the website for customers to leave comments or complaints.<br>(6) All products sold by the Company have been approved by relevant product certifications, and all the labels comply with relevant regulations.<br>(7) Before signing contracts with suppliers, the company would collect relevant information and make annual assessment to suppliers.<br>(8) Contracts made between the Company and the suppliers are annual contracts, and the relevant terms on the left will be noted when renewing contracts; in addition, the Company also signs a Corporate Social Responsibility Statement with suppliers. | |
| 5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing Corporate Social Responsibility Reports and other reports which disclose the Company's non-financial information? | V | | Timely disclosure of company information on the MOPS and company website and compilation of corporate social responsibility reports. The report was also disclosed in the investor section of the company's website (www.tkk.com.tw). | No Difference |

| Items | Implementation Status (Note 1) | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions (Note 2) | |
| Did the said reports obtain the assurance or assurance opinion of the verification unit of a third-party? | | | | |
| 6. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: No difference. | | | | |
| 7. Other important information to facilitate better understanding of the company's corporate social responsibility practices(such as the company's systems and measures and implementation of environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health and other social responsibility activities): In addition to the regular donation charity group (Youth Care Foundation), the company's general manager also serves as the standing director of the TPCA Environment Foundation. | | | | |

G. Fulfillment of ethical corporate management and the differences and causes with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

| Items | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| 1. Establishment of ethical corporate management policies and programs<br>(1) Does the Company establish its ethical corporate management policies approved by the board of directors | V | | (1) Since the establishment of the company, we have adopted the "Honest" and "Trust" | No Difference |

| Items | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| and declare them in its guidelines and external documents, as well as the commitment from its board to implement the policies? | | | policies and signed an "Integrity Letter of Commitment" with our suppliers. We also promoted the management of "Honest" and "Trust" in various conferences and education training policies. | |
| (2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish appropriate precautions against unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies? | V | | (2) For the Directors and Managers, there is the "Ethical Corporate Management Best-Practice Principles" and the "Internal Major Information Processing and Prevention of Internal Transactions Management Regulations" to prevent conflicts of interest from avoiding self-interest and fair trade. The company is committed to providing a safe and healthy working environment, a fair opportunity, and will strive to maintain a fair and legal long-term relationship between customers and suppliers to achieve a win-win partnership. | No Difference |
| (3) Does the Company clearly and thoroughly prescribe the specific operational procedures, guidelines, penalty and | V | | (3) The company has established an "Ethical Behaviour Principles" (the full text of the | No Difference |

| Items | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| complaint system for violations to forestall unethical conduct ("prevention programs"), and review the said program on a regular basis? | | | guidelines, please refer to the company's website http:// http://tkk.com/tw), the "Ethical Corporate Management Best-Practice Principles" and the "Practice principles for Corporate Social Responsibility" as an employee. Guidelines and specifications for performing company operations. The employees of the Company and its subsidiaries comply with this standard regardless of their position, rank and location. To prevent all illegal activities inside and outside the company. | |

| Items | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| 2. Fulfill operations integrity policy | | | | |
| (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? | V | | (1) The company signs the " Letter of Commitment for Social Responsibility and Code of Conduct " with the supplier。 | No Difference |
| (2) Does the Company set up a specific unit under the board of directors to promote the ethical corporate management, and report its ethical corporate management policies and plans to prevent unethical conducts and the supervision of its implementation to the board of directors on a regular basis (at least once a year)? | V | | (2) The Company is responsible for promoting the concept and policy of the Company's integrity management and reporting to the Board of Directors on a regular basis. | No Difference |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? | V | | (3) If the directors are interested in the proposals listed in the board of directors, they should be able to make comments and answer questions, and should be avoided in discussions and votings. When employees encounter conflicts of interest in the execution of their business, they should report to the supervisor directly. | No Difference |
| (4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and the internal audit unit has establish relevant audit plans in accordance with the | V | | (4) The Company has established an accounting system and an internal control system in accordance with relevant laws and | No Difference |

| Items | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| assessment results of being involved in unethical conducts, and checked the compliance with the plan to prevent unethical conducts or entrust an accountant to perform the audit? | | | regulations, including paying attention to related party transactions, establishing a bargaining system, and a multiple authorization review system. The Audit Office also regularly reviews the compliance of the accounting system and the internal control system and reports to the Board of Directors. | |
| (5) Does the company regularly hold internal and external educational trainings on operational integrity? | V | | (5) The company regularly conducts education and training related to integrity management on employees during company seminars. | No Difference |
| 3.Operation of the integrity channel | | | | |
| (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? | V | | (1) The company has an integrity hotline and a mailbox, and any complaints can be directly submitted to the head of the management department and receive a reply. | No Difference |
| (2) Has the Company established the standard operating procedures for the investigation of the whistle-blowing, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism? | V | | (2) A specific reporting and reward system has been established in the Ethical Corporate Management Best-Practice Principles, and if applicable, it will be handled in accordance | No Difference |

| Items | Implementation Status | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Descriptions | |
| (3) Does the company provide proper whistleblower protection? | V | | with the regulations.<br>(3) The complaints mailbox can be chosen to be undisclosed. This can prevent the prosecutor from being improperly disposed of due to incorrect accusations. | No Difference |
| 4. Strengthening information disclosure<br>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS? | V | | (1) On the company's website (http://www.tkk.com.tw), a designated person regularly collects and update information related to the Ethical Corporate Management Best-Practice Principles on the website. | No Difference |
| 5. the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: No Difference, descriptions are in the company’s website. | | | | |
| 6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (such as review and revision of regulations): In line with the amendments to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies, the contents of the Ethical Corporate Management Best-Practice Principles were revised in early 2016, and the ethics-related clauses was added in accordance with regulations in 2019. | | | | |

H. If the company has established provisions for corporate governance and related regulations, it should disclose its method of inquiry:

(1) The Company has established the following relevant rules and regulations in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies":

1. Shareholders' meeting procedure rules
2. Rules of procedure for the board of directors' meetings.
3. Procedures for the election of directors and supervisors
4. Regulations of Acquisition or Disposal of Assets
5. Regulations of making Endorsements and Guarantees
6. Operating Procedures for the loaning of funds.
7. Operating Procedures for the supervision on re-investment
8. TKK regulations on transaction between related parties
9. Regulations on Financial and non-financial information
10. Information and Rules for the Prevention of Insider Trading
11. Ethical Corporate Management Best Practice Principles
12. Self-Inspection and Statement on Internal Control
13. Best Practice Principles for Corporate Social Responsibility
14. Codes of Ethical Conduct.

I. The Company has established "Information and Rules for the Prevention of Insider Trading" and its announcement methods:

The "Information and Rules for the Prevention of Insider Trading" are approved by the Board of Directors on April 30, 2009. The Board of Directors announced the procedures to all the directors and supervisors, and requests them to abide by the relevant provisions of the Regulation. For internal aspects of the company, after the board of directors is acknowledged, this procedure and precautions are placed on the company's internal network announcement area and the company website, available for company's managers and colleagues, in order to avoid violations or internal transactions.

J. Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be disclosed as follows:

(1)The Company’s new incumbent directors, managers and other internal personnel have allotted the latest edition of “The relevant laws and regulations and the precautions for the internal ownership of GTSM Listed Companies and Unlisted Companies”.

(2)MOPS: http://newmops.tse.com.tw

(3)Company Website: http://www.tkk.com.tw/, for investors.

K. Internal Control System Execution Status:

(1) Statement of Internal Control System:

## Taiwan Kong King Co., Ltd.
## Statement of Internal Control System

Date: March 24, 2021

Based on the findings of a self-assessment, Taiwan Kong King Co., Ltd.states the following with regard to its internal control system during the year 2020:

a. The Company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, and has already established it. Its purpose is: i. to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets); ii. The report has reliability, timeliness, transparency; iii. It is compliance with applicable rulings, laws and regulations.

b. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

c. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. Control environment. ii. Risk assessment. iii. Control activities. iv. Information and communication. v. Monitoring activities.

d. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

e. Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

f. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

g. This statement was passed by the board of directors in their meeting held on March 24, 2021, with none of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Kong King Co., Ltd

Chairman: HO SHU-CHAN General Manager: LIAO HUNG-YING

(2) If CPA was engaged to conduct a Special Audit of Internal Control System, its Audit Report should be provided: None.

L. From 2020 to the date of publication of the annual report, the Company and its employees are punished according to laws, or the Company punishes its employees for the violation of the internal control system, and if the punishment may create a significant impact on shareholders' equity or securities prices, the content of the punishment, major deficiencies and improvements shall be listed: None.

M. Material resolutions of a shareholders meeting or a board of directors meeting from 2020 to the date of publication of the annual report:

(1) Stockholders' meetings

| Date of meeting | Major Resolutions |
|---|---|
| June 15, 2020 | 1. Business Report and Financial Statements of 2019.<br>2. Appropriation of 2019 earnings.<br>3. Amend some of the provisions of " Articles of Incorporation ".<br>4. Amend some of the provisions of the"Regulations Governing Making of Endorsements/Guarantees ". |

(2) Board of Directors' meetings

| Date of meeting | Major Proposals | Resolutions |
|---|---|---|
| Jan 17, 2020 | 1. Progress Report on Inspec Limited, an investment company of the Company<br>2. 2020 Corporate Social Responsibility Implementation Plan<br>3. Our HR Report | Approved by all attendees with no objection. |
| March 24, 2020 | **1. Approval of the company's 2019 annual individual and consolidated financial report (subject to Article 14 paragraph 3 of The Securities Exchange Act)**<br>2. Proposal of the 2019 Internal Audit Statement<br>3. Approval of the date and matters of the Company's 2019 annual shareholders' meeting.<br>4. Approved the 2019 Earnings Distribution.<br>5. Approved the 2019 compensation distribution plan and annual salary benchmark for employees and directors.<br>6. Amend some of the provisions of " Articles of Incorporation ". | Approved by all attendees with no objection. |
| May 11, 2020 | **1. Approval of the consolidated financial report for the first quarter of 2020 (subject to Article 14-3 of the Securities and Exchange Act)**<br>2. Amendment to the "Financial Report Preparation Process" and some provisions of the internal audit procedures<br>3. Establishment of "Self Assessment or Peer Assessment by the Board of Directors | Approved by all attendees with no objection. |
| June 15, 2020 | 1. Establish an ex-dividend date.<br>2. Proposed Liquidation and Dissolution of Jianzhi Technology (Suzhou) Co. and Hiking International Co., Ltd. | Approved by all attendees with no objection. |
| Aug 6, 2020 | **1. Approval of the consolidated financial report for the second quarter of 2020 (subject to Article 14-3 of the Securities and Exchange Act)**<br>**2. Fund accommodation of the subsidiary, Headway Holdings Ltd.** | Approved by all attendees with no objection. |

| Date of meeting | Major Proposals | Resolutions |
|---|---|---|
| | **(Samoa) (subject to Article 14-3 of the Securities and Exchange Act)** | |
| Nov 10, 2020 | **1. Approval of the consolidated financial report for the third quarter of 2020 (subject to Article 14-3 of the Securities and Exchange Act)**<br>2. Evaluation of the independence and suitability of the CPA who attested the annual financial report of the Company<br>3. Establishment of 2021 annual audit plan<br>**4. 2021 Budget and Annual Operation Plan (subject to Article 14-3 of the Securities and Exchange Act)**<br>5. Approval of the annual bonus payment standards by the Remuneration Committee<br>6. The extension of bank financing amount in 2021 | Approved by all attendees with no objection. |
| Jan 26, 2021 | 1. 2021 Corporate Social Responsibility (CSR) executive planning | Approved by all attendees with no objection. |
| March 24, 2021 | **1. Approval of the company's 2020 annual individual and consolidated financial report (subject to Article 14 paragraph 3 of The Securities Exchange Act)**<br>2. Proposal of the 2020 Internal Audit Statement<br>3. Approved the 2020 Earnings Distribution.<br>4. Approved the 2020 compensation distribution plan and annual salary benchmark for employees and directors.<br>5. Full re-election of directors upon expiry of directors' term<br>6. Established "Audit Committee Charter "<br>7. Amend some of the provisions of " Articles of Incorporation "<br>8. Amend some of the provisions of the " Procedures for Election of Directors and Supervisors "<br>9. Amend some of the provisions of " Rules of Procedure for Board of Directors Meetings"<br>**10. Amend some of the provisions of the " Measures for the Administration of Obtaining or Disposing of Assets "**<br>**11. Amend some of the provisions of the " Operational Procedures for Loaning Funds to Others "**<br>**12. Amend some of the provisions of the " Regulations Governing Making of Endorsements/Guarantees "**<br>**13. Amend some of the provisions of the " Procedures for Financial Derivatives Transactions "**<br>14. Amend some of the provisions of“ Ethical Corporate Management Best Practive Principles "<br>15. Amend some of the provisions of " Code of Ethical Conduct "<br>16. Approval of the date and matters of the Company's 2021 annual shareholders' meeting. | Approved by all attendees with no objection. |
| April 27, 2021 | **1.**The Board of Directors nominated and considered candidates for election as directors (including independent directors)<br>2.Release of the Company’s new directors and their representatives from the prohibition of working in competing companies | |

N. From the most recent fiscal year to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

O. From the most recent fiscal year to the date of publication of the annual report, an independant director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

P. Resignations and dismissals of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, corporate governance personnel, and principal research and development officer, from the most recent fiscal year to the date of publication of the annual report: None

Q. The implementation of the resolutions of the 2020 shareholders' meeting:

| Resolution Items | Implementation |
|---|---|
| 1. Approval of the 2019 business report and final accounts. | Announced in the MOPS after the resolution of the shareholders' meeting. |
| 2. Approval of the 2019 surplus distribution proposal. | According to the resolution of the shareholders' meeting: Cash dividend of NT$58,062,230 was distributed to the shareholders, whereas the compensation to employees was NT$996,106, and compensation to directors and supervisors was NT$996,106. The company has distributed remunerations according to the content of the resolution, and distributed cash dividend to shareholders on August 8, 2020. |
| 3. Amend some of the provisions of "Articles of Incorporation". | Implement measures in accordance with the modified "Articles of Incorporation" after the resolution of the shareholder's meeting. |
| 4. Amend some of the provisions of the "Regulations Governing Making of Endorsements/Guarantees " | Implement measures in accordance with the modified "Regulations Governing Making of Endorsements/Guarantees " after the resolution of the shareholder's meeting. |

4. Information on CPA professional fees

## Information on CPA professional fees

| CPA Firm | Name of accountant | | Period Covered by CPA's Audit | Remarks |
|---|---|---|---|---|
| Ernst and Young | CHANG, CHIH-MING | HSU JUNG-HUANG | Jan 01, 2020~ Dec 31, 2020 | |

Units: NT$Thousand

| Fee Range \ Fee Items | | Audit Fee | Non-audit Fee | | Total |
|---|---|---|---|---|---|
| | | | Other (Note 1) | Amount | |
| 1 | Under NT$ 2,000,000 | 0 | 176 | 176 | 176 |
| 2 | NT$2,000,001 ~ NT$4,000,000 | 2,200 | 0 | 0 | 2,200 |
| 3 | NT$4,000,001 ~ NT$6,000,000 | 0 | 0 | 0 | 0 |
| 4 | NT$6,000,001 ~ NT$8,000,000 | 0 | 0 | 0 | 0 |
| 5 | NT$8,000,001 ~ NT$10,000,000 | 0 | 0 | 0 | 0 |
| 6 | Over NT$100,000,000 | 0 | 0 | 0 | 0 |

Note 1：This is the audit fee for 2019 Financial Statement in English.

A. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: N/A

B. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None

C. The audit fee is reduced by over 10% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None

5. Information on replacement of certified public accountant

A. About the Former CPA: None.

B. About Successor CPAs: None.

C. The Reply of Former CPAs on Article 10.5.1 and Article 10.5.2.3 of the Standards: None.

6. Information on Service of the Company’s Chairman, President, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates : None

7. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the period from the most recent fiscal year to the date of publication of the annual report:

A. Changes of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the company:

| Title | Name (Note 1) | 2020 (Note 2) | | Current year to April 18,2021 (Note 3) | |
|---|---|---|---|---|---|
| | | Shareholding Increase/ Decrease | Pledged Shares Increase/ Decrease | Shareholding Increase/ Decrease | Pledged Shares Increase/ Decrease |
| Chairman | Wong’s Kong King-HO SHU-CHAN | 0 | 0 | 0 | 0 |
| Director | Wong’s Kong King-SENTA WONG | 0 | 0 | 0 | 0 |
| Director | Wong’s Kong King-TSUI YING-CHUN | 0 | 0 | 0 | 0 |
| Director | Wong’s Kong King-HSU HUNG-CHIEH | 0 | 0 | 0 | 0 |
| Director | Wong’s Kong King-CHANG JUI-SHUM | 0 | 0 | 0 | 0 |
| Director | LIAO HUNG-YING | 247,202 | 0 | 51,000 | 0 |
| Director | CHEN MEI-FEN | 0 | 0 | 0 | 0 |
| Independent Director | LOK ARTHUR K. | 0 | 0 | 0 | 0 |
| Independent Director | CHAN CHUN-YEN | 0 | 0 | 0 | 0 |
| Independent Director | HUANG WEN-YUEAN | 0 | 0 | 0 | 0 |
| Supervisor | Top Range Machinery-KEN CHOU | 0 | 0 | 0 | 0 |
| Supervisor | WU KUO-HSIEN | 0 | 0 | 0 | 0 |
| Supervisor | TSAI CHIH-WEI | 0 | 0 | 0 | 0 |
| Manager | FAN DING-CHI | 0 | 0 | 0 | 0 |
| Manager | ZHENG FU-WEN | 0 | 0 | 13,505 | 0 |
| Manager | LAIO DE-HIANG | 76,000 | 0 | 0 | 0 |
| Manager | CHUANG HONG-YI | 0 | 0 | 0 | 0 |
| Shareholder | Wong’s Kong King International (Holdings) Ltd. | 0 | 0 | 0 | 0 |

Note1: Shareholders holding more than 10% of the company's shares should be identified as major shareholders

and presented separately.

Note 2: The increase (decrease) in shareholding by the listed internal personnel from December 2019 to December 2020.

Note 3: The increase (decrease) in shareholding by the listed internal personnel from December 2020 to April 2021.

B. Information on counterparties of equity transfer that are related parties: None.

C. Information on counterparties of share pledges that are related parties: None.

8. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

April 18, 2021; Units: Shares, %

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse’s/minor’s Shareholding</th><th colspan="2">Shareholding by Nominee Arrangement</th><th colspan="2">The names and relationships of the top ten shareholders who are related to each other or who are related to each other as spouses or second degree relatives.</th><th rowspan="2">Remarks</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Name</th><th>Relationship</th></tr>
<tr><td>Wong’s Kong King</td><td>24,473,836</td><td>67.44</td><td>0</td><td>0.00</td><td>0</td><td>0.00</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Wong’s Kong King Representative：HSU HUNG-CHIEH</td><td>178,615</td><td>0.49</td><td>4,716</td><td>0.01</td><td>0</td><td>0.00</td><td>Wong’s Kong King</td><td>Director</td><td></td></tr>
<tr><td rowspan="2">Wong’s Kong King Representative：SENTA WONG</td><td rowspan="2">1</td><td rowspan="2">0.00</td><td rowspan="2">0</td><td rowspan="2">0.00</td><td rowspan="2">0</td><td rowspan="2">0.00</td><td>Wong’s Kong King</td><td>Chairman</td><td></td></tr>
<tr><td>Wong’s Kong King Representative：CHANG JUI-SHUM</td><td>Son in law</td><td></td></tr>
<tr><td>Wong’s Kong King Representative：TSUI YING-CHUN</td><td>1</td><td>0.00</td><td>0</td><td>0.00</td><td>0</td><td>0.00</td><td>Wong’s Kong King</td><td>Director</td><td></td></tr>
<tr><td>Wong’s Kong King Representative：HO SHU-CHAN</td><td>1</td><td>0.00</td><td>0</td><td>0.00</td><td>0</td><td>0.00</td><td>Wong’s Kong King</td><td>Director</td><td></td></tr>
<tr><td>Wong’s Kong King Representative：CHANG JUI-SHUM</td><td>0</td><td>0.00</td><td>0</td><td>0.00</td><td>0</td><td>0.00</td><td>Wong’s Kong King Representative：SENTA WONG</td><td>Father in law</td><td></td></tr>
<tr><td>CHEN PO-TSANG</td><td>728,000</td><td>2.01</td><td>0</td><td>0.00</td><td>0</td><td>0.00</td><td>-</td><td>-</td><td></td></tr>
<tr><td>LIAO HUNG-YING</td><td>487,000</td><td>1.34</td><td>8,112</td><td>0.02</td><td>0</td><td>0.00</td><td>-</td><td>-</td><td></td></tr>
<tr><td rowspan="2">LI CHIN SHENG</td><td rowspan="2">455,081</td><td rowspan="2">1.25</td><td rowspan="2">0</td><td rowspan="2">0.00</td><td rowspan="2">0</td><td rowspan="2">0.00</td><td>YU SHU MAN</td><td>Wife</td><td rowspan="2"></td></tr>
<tr><td>LI KUAN RE</td><td>Daughter</td></tr>
<tr><td rowspan="2">LI KUAN RE</td><td rowspan="2">434,617</td><td rowspan="2">1.20</td><td rowspan="2">0</td><td rowspan="2">0.00</td><td rowspan="2">0</td><td rowspan="2">0.00</td><td>LI CHIN SHENG</td><td>Father</td><td rowspan="2"></td></tr>
<tr><td>YU SHU MAN</td><td>Daughter</td></tr>
<tr><td>Top Range Machinery</td><td>378,484</td><td>1.04</td><td>0</td><td>0.00</td><td>0</td><td>0.00</td><td>-</td><td>-</td><td></td></tr>
</table>

| Name | Current Shareholding | | Spouse's/minor's Shareholding | | Shareholding by Nominee Arrangement | | The names and relationships of the top ten shareholders who are related to each other or who are related to each other as spouses or second degree relatives. | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| Top Range Machinery Representative：KEN CHOU | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Top Range Machinery | Chairman | |
| YU SHU MAN | 338,083 | 0.93 | 0 | 0.00 | 0 | 0.00 | LI CHIN SHENG | Husband | |
| | | | | | | | LI KUAN RE | Daughter | |
| CHEN HUANG YA | 310,000 | 0.85 | 0 | 0.00 | 0 | 0.00 | - | - | |
| SHI SHENG YUAN | 303,000 | 0.83 | 8,112 | 0.02 | 0 | 0.00 | - | - | |
| CHEN MEI-FEN | 287,035 | 0.79 | 466 | 0.00 | 0 | 0.00 | Top Range Machinery | Director | |

9. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company:

December 31, 2020; Units: Shares, %

| Affiliated Enterprise（Note 1） | Ownership by the Company | | Direct or Indirect Ownership by Directors, Supervisors, Managers | | Total Ownership | |
|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % |
| TKK Precision Co., Ltd.（Note 2） | 6,237,000 | 100.00% | 0 | 0.00% | 6,237,000 | 100.00% |
| Hong Kong Taiwan Kong King Ltd. | 26,209,999 | 99.99% | 1 | 0.01% | 26,210,000 | 100.00% |
| Headway Holdings Ltd. | 1,100,000 | 100.00% | 0 | 0.00% | 1,100,000 | 100.00% |
| THT Technology Co., Ltd. | 3,125,000 | 62.50% | 100,000 | 2.00% | 3,225,000 | 64.50% |

Note 1: Company's long-term equity investment by the equity method
Note 2: Renamed after the share buyback, the original name is「TKK Precision Co., Ltd.」

# IV.Capital Raising Activities

1. Capital and Shares

A. Source of capital stock

April 18, 2021; Units: Shares/NT$

| Year/month | Par Value | Authorized capital stock | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares | Amount | Shares | Amount | Source of capital (NT$1,000) | Capital Increased by Assets Other Than Cash | Others |
| 1977/06 | 10 | 200,000 | 2,000,000 | 200,000 | 2,000,000 | established | - | - |
| 1985/12 | 10 | 210,000 | 2,100,000 | 210,000 | 2,100,000 | Capital increase 100 by cash | - | - |
| 1986/05 | 10 | 1,000,000 | 10,000,000 | 1,000,000 | 10,000,000 | Capital increase 7,900 by cash | - | - |
| 1988/10 | 10 | 1,450,000 | 14,500,000 | 1,450,000 | 14,500,000 | Capital increase 4,500 by cash | - | - |
| 1995/12 | 10 | 2,175,000 | 21,750,000 | 2,175,000 | 21,750,000 | Capital increase 7,250 by cash | - | - |
| 1995/12 | 10 | 2,900,000 | 29,000,000 | 2,900,000 | 29,000,000 | Capital increase 7,250 by cash | - | - |
| 1997/10 | 10 | 4,350,000 | 43,500,000 | 4,350,000 | 43,500,000 | Capital increase 14,500 by capital reserve | - | - |
| 1998/11 | 10 | 10,000,000 | 100,000,000 | 10,000,000 | 100,000,000 | Capital increase 27,800 by capital reserve. Capital increase 28,700 | - | - |
| 2000/08 | 10 | 13,000,000 | 130,000,000 | 13,000,000 | 130,000,000 | Capital increase 30,000 by earnings | - | - |
| 2001/01 | 10 | 30,000,000 | 300,000,000 | 17,500,000 | 175,000,000 | Capital increase 45,000 by cash | - | - |
| 2001/10 | 10 | 30,000,000 | 300,000,000 | 20,125,000 | 201,250,000 | Capital transfer 26,250 by earnings | - | - |
| 2002/10 | 10 | 30,000,000 | 300,000,000 | 22,137,500 | 221,375,000 | Capital transfer 20,125 by earnings | - | - |
| 2003/10 | 10 | 30,000,000 | 300,000,000 | 24,351,250 | 243,512,500 | Capital transfer 22,137 by earnings | - | - |
| 2004/09 | 10 | 30,000,000 | 300,000,000 | 27,273,400 | 272,734,000 | Capital transfer 29,221.5 by earnings | - | - |
| 2005/09 | 10 | 38,000,000 | 380,000,000 | 30,000,740 | 300,007,400 | Capital transfer 27,273.4 by earnings | - | - |
| 2006/09 | 10 | 38,000,000 | 380,000,000 | 34,560,852 | 345,608,520 | Capital transfer 45,601.12 by earnings | - | - |
| 2009/09 | 10 | 45,000,000 | 450,000,000 | 36,288,894 | 362,888,940 | Capital transfer 17,280.42 by earnings | - | - |

| Type of Stock | Authorized Capital | | | Remarks |
|---|---|---|---|---|
| | Issued Shares (Note 1) | Un-issued Shares | Total | |
| Common Stock | 36,288,894 | 8,711,106 | 45,000,000 | |

Note 1: Shares of GTSM Listed Companies.

General information about the reporting system:

| Type of Stock | Estimated Issuance | | Issued Shares | | Purpose and expected benefits of issued shares | Estimated issue date for un-issued shares | Remarks |
|---|---|---|---|---|---|---|---|
| | Total Shares | Authorized Amount | Shares | Price | | | |
| None | | | | | | | |

## B. Shareholder structure

April 18, 2021

| Shareholder structure | Government Agencies | Financial Institutions | Local Institutions | Other Juridical Persons | Local Natural Persons | Foreign Institutions & Natural Persons | Total |
|---|---|---|---|---|---|---|---|
| Number of Shareholders | 0 | 1 | 14 | 4 | 1,932 | 13 | 1,964 |
| Shareholding (shares) | 0 | 257,000 | 685,934 | 6,841 | 10,743,476 | 24,595,643 | 36,288,894 |
| Percentage | 0 | 0.71% | 1.89% | 0.02% | 29.61% | 67.78% | 100% |

## C. Diffusion of ownership

(1) Common stock (Par value of NT$10)

April 18, 2021

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|---|---|---|---|
| 1 ~ 999 | 552 | 88,187 | 0.24 |
| 1,000 ~ 5,000 | 1,128 | 2,121,590 | 5.85 |
| 5,001 ~ 10,000 | 132 | 1,012,253 | 2.79 |
| 10,001 ~ 15,000 | 53 | 649,653 | 1.79 |
| 15,001 ~ 20,000 | 24 | 416,142 | 1.15 |
| 20,001 ~ 30,000 | 19 | 474,847 | 1.31 |
| 30,001 ~ 50,000 | 25 | 1,054,244 | 2.91 |
| 50,001 ~ 100,000 | 12 | 880,113 | 2.43 |
| 100,001 ~ 200,000 | 7 | 879,729 | 2.42 |

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|---|---|---|---|
| 200,001 ~ 400,000 | 7 | 2,133,602 | 5.88 |
| 400,001 ~ 600,000 | 3 | 1,376,698 | 3.79 |
| 600,001 ~ 800,000 | 1 | 728,000 | 2.01 |
| 800,001 ~ 1,000,000 | - | - | 0.00 |
| 1,000,001 or over | 1 | 24,473,836 | 67.44 |
| Total | 1,964 | 36,288,894 | 100.00 |

(2) Preferred Share: None.

D. Major Shareholders

April 18, 2021

| Shareholding / Shareholder's Name | Shares | Percentage |
|---|---|---|
| Wong's Kong King International (Holdings) Ltd. | 24,473,836 | 67.44 |
| CHEN PO TSANG | 728,000 | 2.01 |
| LIAO HUNG-YING | 487,000 | 1.34 |
| LI CHIN SHENG | 455,081 | 1.25 |
| LI KUAN RE | 434,617 | 1.20 |
| Top Range Machinery Co., Ltd. | 378,484 | 1.04 |
| YU SHU MAN | 338,083 | 0.93 |
| CHEN HUANG YA | 310,000 | 0.85 |
| SHI SHENG YUAN | 303,000 | 0.83 |
| CHEN MEI-FEN | 287,035 | 0.79 |

Note: List of names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list.

E. Information on share prices, net worth per share, earnings per share and dividends per share:

| Item | | Year | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 8) |
|---|---|---|---|---|---|
| **Market Price per Share** (Note 1) | Highest Market Price | | 33.55 | 43.80 | 60.00 |
| | Lowest Market Price | | 25.10 | 21.45 | 36.75 |
| | Average Market Price | | 28.49 | 33.85 | 40.18 |
| **Net Worth per Share** (Note 2) | Before Distribution | | 22.80 | 25.88 | 27.17 |
| | After Distribution | | 21.20 | 21.70 | - |
| **Earnings per Share** | Weighted Average Shares | | 36,288,894 | 36,288,894 | 36,288,894 |
| | Earnings Per Share (Note 3) | | 2.11 | 4.86 | 1.19 |
| **Dividends per Share** | Cash Dividends | | 1.60 | 4.20 | - |
| | Bonus Shares | Dividends from Retained Earnings | - | - | - |
| | | Dividends from Capital Surplus | - | - | - |
| | Accumulated Undistributed Dividends (Note 4) | | - | - | - |
| **Return on Investment** | Price / Earnings Ratio (Note 5) | | 13.50 | 6.97 | - |
| | Price / Dividend Ratio (Note 6) | | 17.81 | 8.06 | - |
| | Cash Dividend Yield Rate (Note 7) | | 5.62 | 12.41 | - |

＊If there is a capital transfer by surplus or capital reserve, the company shall disclosed the market price and cash dividend information that is adjusted retrospectively based on the number of shares to be issued.

Note 1: List the highest and lowest market prices of common stock for each year, and calculate the average market price for each year by the annual turnover and volume.

Note 2: Please fill in the number of shares that have been issued at the end of the year and the allocation according to the resolution of the shareholders' meeting of the next year.

Note 3: If there are retrospective adjustments due to reasons such as free allotments, the pre-adjusted and adjusted earnings per share should be presented.

Note 4: For equity issuance, if dividends that are not distributed in the current year are allowed to be accrued to a year of surplus, the accumulated unpaid dividends should be disclosed separately.

Note 5: P/E ratio = current year average closing price per share /earnings per share

Note 6: Price-dividend ratio= current year average closing price per share / cash dividend per share

Note 7: Cash dividend yield= cash dividend per share/ current year average closing price per share

Note 8: The net value per share and earnings per share should be filled in with the information reviewed (audited) by the accountant in the most recent quarter of the date of publication of the annual report. The remaining fields should be filled in with information in the most recent year of the date of publication of the annual report.

F. Company's dividend policy and implementation thereof

(1) Dividend Policy provided in the Articles of Incorporation

Article 19:

a. After the company has paid its tax and has made up for past loss. When distributing surplus, the first 10% shall be for the legal reserve, and the remainder is added with accumulated undistributed surplus. The special reserve is distributed in accordance with the Securities Exchange Act., and the rest are the accumulated distributable surplus earnings. The above accumulated distributable surplus earnings is used to measure the necessity for the surplus to meet capital demands. The distribution method and the amount of surplus reserve or distribution are determined according to the basic principle of the company's dividend policy, and a surplus distribution proposal is submitted to the shareholders meeting for resolution. The distribution shall be distributed according to the following proportions: the compensation of the directors and supervisors is less than 1%, employees' compensation is 1% to 8%, and the remaining proportion is for shareholder dividends.

b. The company's dividend policy is based on the consideration of the capital budgeting and the dilution of earnings per share. The amount of dividends from shareholders should be higher than 50% of distributable surplus earnings for the current year. The dividends are distributed in cash dividends of no less than 30%. The dividend payout ratio depends on the profit and capital status of the current year. After the board of directors proposes a distribution plan, it will be adjusted after the resolution of the shareholders' meeting.

(2) 2020 Distribution of stock dividends at the Shareholders' Meeting

## 2020 Earnings Distribution

Units: NT$

| | |
|---|---|
| 2020 net profit | |
| 2020 after-tax net profit | 176,191,824 |
| Less: Legal reserve | (17,561,967) |
| Less: Special reserve | (5,722,407) |
| Less: Other consolidated profit or loss (Actuarial profit or loss on the defined benefit) plan) | (572,151) |
| 2020 distributable earnings | 152,335,299 |
| Plus: Beginning distrubutable earnings | 94,995,843 |
| Accumulated Distrubutable Earnings | 247,331,142 |
| Distributable items | |
| Less: Shareholder bonus - cash (NTD 4,200/ thousand shares) | (152,413,355) |
| Unappropriated retained earnings | 94,917,787 |

Chairman: HO SHU-CHAN , General Manager: LIAO HUNG-YING, Accountant Manager: CHOU TSUI-HSIA

G. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The company does not need to disclose the 2020 annual financial forecast according to the regulations, so the changes in business performance, the proposed earnings per share and the P/E ratio are not applicable.

H. Compensation of employees, directors, and supervisors

(1) Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation: If there is a balance, it will be handled in accordance with the following arrangements for employees' compensation and directors' reward:

a. Tax Payment.

b. Make up for past losses.

c. After deducting paragraphs (A) and (B), a 10% is required for legal reserves and, if necessary, a special reserve is required in accordance with the Securities Exchange Act.

d. After deducting paragraphs (A) to (C), the compensation of the directors and supervisors is less than 1%, employees' compensation is 1% to 8%, and the remaining proportion is for shareholder dividends.

*Note: Employees' compensation is distributed according to the performance bonus system of the Company and its subsidiaries, performance bonus is based on the recent year's profit and loss and the contribution of each profit center, and the bonus is distributed according to the employee performance appraisal.*

(2) The estimated amount of compensation for employees, directors, and supervisors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure: Employee compensation and rewards of directors and supervisors are based on the amount of money that may be disbursed based on past experience and are calculated by multiplying net profit (after deducting the employee's remuneration and rewards of directors and supervisors) by 1%. After the end of the year, if there is a significant change in the amount of the resolutions of the board of directors, the change will be adjusted to the original annual cost. If the amount still changes at the resolution date of the shareholders' meeting, it will be handled according to the accounting estimates and adjusted in the resolution of the shareholders' meeting. If the shareholders' meeting decides to distribute stock as employee compensation, the bonus shares are determined by dividing the amount of dividends by the fair value of the stock. The fair value of the stock refers to the closing price at the day before resolution of the shareholders' meeting (after considering the impact of the ex-right and ex-dividend).

(3) Information on the amount of compensation for distribution as approved by the Board of Directors:

- The compensation of employees, directors and supervisors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed. The amount of employees' compensation approved by the Board of Directors was NT$2,108,075, and compensation to directors was NT$2,108,075. There was no discrepancy with the actual amount in 2020.
- The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or separate financial report for the current

period: The company's current employee compensation is all in cash, thus it is not applicable.

- In consideration of the proposed distribution of employee compensation and the earnings per share of the directors and supervisors after the remuneration: The employee compensation and the rewards of directors and supervisors have been expensed, thus they have no impact on earnings per share.

(4) The actual distribution of compensation for employees, directors, and supervisors in the previous fiscal year (including number of shares, monetary amount, stock price, shares distributed) and any discrepancy between the actual distributed amount and amount of compensation for employees, directors, or supervisors. The discrepancy, cause, and response should be stated:

Unit: NT$Thousand

| | 2020 | | | |
|---|---|---|---|---|
| | Number of distributed shares according to the resolution of the shareholders meeting | Number of distributed shares according to the approval of the board of directors meeting | Diff | Reasons for diff. |
| Distribution status： | | | | |
| a.Employee cash bonus | 2,108 | 2,108 | - | - |
| b. Employee stock bonus | | | | |
| (a)Share (Thousand Shares) | - | - | - | - |
| (b)Amount | - | - | - | - |
| (c)Percentage of total outstanding company shares % | - | - | - | - |
| c.Compensation to directors and spervisors | 2,108 | 2,108 | - | - |

I. Share repurchases: None.

2. Corporate Bonds: None

3. Preferred Shares: None

4. Global Depository Receipts (GDR) : None

5. Employee Stock Warrants: None.

6. New Restricted Employee Shares: None.

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

8. The Status of Implementation of Capital Allocation Plans:

   A. Plan: Previously issued or privately held securities that have not been completed or have been completed in the last three years but planned benefits have not yet been revealed in the latest quarter to the date of publication of the annual report: None.

   B. Implementation: For the purposes of the various plans in the preceding paragraph, the analysis and comparisons of the implementation situation and the original expected benefit as of the first quarter to the date of publication of the annual report: None.

# V. Operational Highlights

1. Business Activities

A. Scopes of the business:

(1) The main operational categories of the company

a. Electronic parts and their products (except pipe products), garments, textiles, hardware machinery, etc. and the import and export business.

b. Sales and the import and export of electroplating chemicals (excluding pipe products), electronic printing materials (except pipe products), and electronic printing machinery (excluding pipe products).

c. Factory automation computer software and computer integration design, manufacturing, sales and service.

d. Production of negative films for industrial printed circuit boards.

e. Test computer program and fixture manufacturing for automated test equipment of printed circuit boards.

f. The quotation and bidding of the products of Local and foreign manufacturers before the agency.

g. Electronic assembly processing and sales (except pipe products).

h. CB01010 Machinery and equipment manufacturing.

i. CB01020 Office Machines Manufacturing.

j. CC01030 Electrical appliance manufacturing.

k. CC01050 Data Storage Media Units Manufacturing.

l. CC01060 Wired Communication Equipment and Apparatus Manufacturing.

m. CC01070 Wireless Communication Equipment and Apparatus Manufacturing.

n. CC01080 Electronic Parts and Components manufacturing.

o. CD01050 Manufacture of Bicycles and Parts.

p. CE01010 Precision Instruments Manufacturing.

q. C802120 Industrial Catalyst Manufacturing.

r. C802030 Paints and Varnishes Manufacturing.

(2)Sales proportion

UNIT: NT$ thousand

| Business Item | Sales in 2020 | 2020 (%) of Total Sales |
|---|---|---|
| Electronic components, equipment and materials | 1,137,952 | 82.08% |
| Service revenue + Maintenance revenue | 80,935 | 5.84% |
| Commissions revenue | 167,513 | 12.08% |
| Total | 1,386,400 | 100% |

(3) The company's current product (service) collections

The business model of the Company and its subsidiaries is to introduce new process equipment and application technology sales to the electronic technology industry and to provide customer service, electronic parts production, machine equipment manufacturing and assembly.

Main business items: Printed circuit board equipment and technical services, chemical materials, semiconductor packaging test equipment, electronic assembly equipment, optoelectronic production equipment, solar energy industry related equipmen. Also, the assembly, production, sales and customer service of the above equipment and components. The main commodities and related industries of the company and its subsidiaries of the end of the year are described as follows:

a. Printed circuit board

AOI automatic optical inspection machine, AVI automatic visual inspection machine, Exposure machine, Wet film coating (inner layer/anti-welding), Belt sander, Scrubber machine and other wet process equipment, Ceramic brush, Inductive bonding machine, Hot press, Short/Break tester, High-density test fixture, Solder ball inspection equipment, Short circuit/open circuit test OEM and patent and IC Analysis services, Chemical liquid analysis equipment, Clean & non-oxidation automation oven, etc.

b. Semiconductor package

Transfer type hot plate reflow/baking equipment, circulating electroplating liquid analyzer, near-infrared light concentration monitor, wafer surface cleaner, wafer coater, wafer surface contaminant inspection machine, X-Ray inspection equipment, wafer surface organic inspection machine, chip package inspection machine, high-end package die bonding machine, automated wafer transfer arm, high-end package precision printer, high-end package precision ball mounter, 3D surface profile measurement, SMD Chip Counter, plasma surface cleaning, dust-free and oxygen-free ovens, Cassette cleaning machine, atomic force microscope, dispensing machine and tape crystal grain rework machine.

c. Optical communication

Precision placement machine, automatic coupling equipment, photoelectric test equipment, optical lens.

d. Solar industry

Fully automatic screen printer line.

e. SMT electronic assembly

Selective soldering furnace, reflow oven, placement machine, fully automatic solder paste printer, desktop automatic optical inspection machine, X-RAY inspection machine, solder paste inspection equipment.

(4) New product (services) development projects:

- High-end packaging process equipment.
- Green energy and industrial automation related equipment.
- New process and high-end process equipment that meet customer needs.
- Materials that meet customer needs.
- Continuous tracking of new products in the market (not limited to the electronics industry)

B. Brief description on industries of the company’s main products:

The business model of the Company and its subsidiaries introduces new process equipment and application technology to Taiwan's electronic technology industry. With the printed circuit board as the main axis, it will be extended upwards and downwards to form a complete sales service system. It will also span the semiconductor packaging and testing equipment, electronic assembly industry, optoelectronic industry and solar energy industry related equipment. Current status and development of industries of the company's main products (the printed circuit board industry, semiconductor industry and optical communication industry) are as follows:

## 1. <u>Printed circuit board industry</u>

- **Industry overview**

(1) Global circuit board industry

**Global circuit board output hits record high despite epidemic**

Global PCB output is pessimistically expected to decline by more than 5% in 2020 due to production and demand uncertainties such as shutdowns, material shortages, transportation stops, city closures in Europe and the U.S., and declining demand for electronic terminals, arousing from the epidemic in early 2020. However, according to the production value estimates by countries in the first three quarters of the year, the global PCB production value (including the production value of the back-end parts of PCB manufacturers) is estimated to reach a record size of about US$69.7 billion in 2020 (as shown in the figure), with a growth rate of 9.4% compared to 2019. The main reasons for the significant difference in production value and growth rate compared to the forecast at the beginning of the year are as follows:

Global Circuit Board Production Value Scale


註：產值包括電路板後段打件組裝

資料來源: TPCA；工研院產科國際所

1. Resumption schedule shortened and exceeded expectations

More than 50% of the world's PCB production value relies on production lines in mainland China, and more than 60% of Taiwan's production lines are located in mainland China. Therefore, after the epidemic spread from Hubei to other provinces in junior high school in 2020, employees returning to their hometowns for the Chinese New Year had difficulty returning to work due to city closures and transportation controls. It was estimated at that time that the production lines in China would not be able to resume until at least the end of the second quarter. However, the plants resumed work faster than expected, with the exception of Hubei Province, which was hit hard by the epidemic and was slow to resume work, all other local production lines resumed about 70% of production at the end of the first quarter, and most of the manufacturers resumed normal production in the second quarter.

The impact of the shutdown was less than expected.

2. Post-epidemic life drives high demand for some products

Although the epidemic has affected the demand for electronic products such as automobiles and smartphones, the epidemic has also changed lifestyles and created unexpected demand for products such as communication and video devices for remote online meetings, tablet PCs and game consoles for the home economy, and new notebook computers for Work From Home, especially notebook computers. In particular, the shipment of notebook computers is estimated to exceed 200 million units in 2020, with an annual growth rate of more than 20%. This is a far cry from the yearly decline in notebook computer shipments in the past few years, so notebook computer circuit board suppliers will have good growth momentum in 2020 and become one of the forces driving the overall value growth.

3. 5G Effect opportunities are not affected by the epidemic

However, neither the base station and related infrastructure nor the 5G terminal products have been halted, and many 5G products require higher-end circuit boards, such as ABF carrier boards for 5G base stations, high-speed super-layer boards for communication equipment, and AiPs for 5G cell phones. For example, ABF carrier boards for 5G base stations, high-speed ultra-high laminates for communication equipment, and AiPs for 5G handsets are all high-end circuit board products with higher average unit prices, so the high-end and high-priced products for 5G will drive the overall production value in 2020.

4. iPhone 12 still a hot seller despite delayed launch

The new iPhone model, which is released every year at the end of September, was once rumored to be delayed until 2021 due to the epidemic. In the end, although it is a little later than the annual scheduled release of new models, the sale is still scheduled to begin in the fourth quarter of 2020. Based on the current shipment volume, about 80 million units will be shipped in the fourth quarter of 2020 and about 50 million units in the first quarter of 2021. The average shipment volume in the fourth quarter of the year after the sale of new models is about 70~80 million units, and in the first quarter of the following year, it is about 40~50 million units. In other words, the two quarters after the launch of the iPhone 12, shipments were at a high level, which helped boost the value of circuit board production, especially in Taiwan.

5. Downstream conservative mindset, inventory level increased

The risk of chain breakage upstream and downstream of the supply chain due to the shutdown factor once after the outbreak of the epidemic. In order to avoid the situation that there is no material for production after the resumption of work, or to worry about the worsening of the epidemic and the impact on the supply of component suppliers, downstream electronic assembly plants have raised the safety stock level of various components, including circuit boards and other components have felt the pulling power of customers due to increased inventory.

(2) Taiwan Circuit board industry

**2020 Production Value and 2021 Q1 Estimate**

Taiwan's circuit board industry reached NT$212.3 billion in the fourth quarter, growing at a 12.6% annual rate. In addition to setting a single quarterly high, the fourth quarter saw a 14.2% quarterly growth rate, a rare feat in terms of past statistics, despite the traditional high base period of the third quarter. In addition to the peak season effect, the quarter's good results show that the world has developed an operational model that has minimal impact on business activities and can co-exist with the epidemic. Overall, the optimistic scenario of stronger end-use sales than the previous quarter and the same period last year and the absence of other significant negative shocks provided an opportunity for strong growth in the fourth quarter, which cleared the depressed performance of the previous three quarters at the end of the year. Looking back at the full year 2020, all quarters showed growth in output compared to the same period in 2019. Even in the first quarter, when the epidemic was most severe, it still outperformed most other industries by 0.5%. Overall, in 2020, with quarterly growth, the annual value of production reached a record high of NT$696.3 billion with 5.1% growth.

In terms of original orders in US dollars, the value of production in the fourth quarter was US$7,377 million, with quarterly and annual growth rates of 17.0% and 19.4%, respectively, while the value of production for the year reached US$23,609 million, with a growth rate of 10.2%. When compared to the performance of the New Taiwan dollar, it is easy to observe that the exchange rate did have a significant impact on the value of production in the quarter. In further analysis, with the influx of both Taiwanese and foreign capital, the average exchange rate of the New Taiwan dollar against the U.S. dollar has generally been strengthening month by month since the beginning of 2020, appreciating by 5.6% for the whole year of 2020 against the last trading day of 2019, and by 8.9% against the high point at the end of the third quarter of 2019. As the first three quarters of 2019 were characterized by depreciation, the impact of the exchange rate on the value of production in 2020 deepened quarter by quarter, as it went back and forth.

As we move into 2021, both in terms of upstream and downstream supply chain order visibility and end product survey data, this wave of significant rebound since the fourth quarter and the momentum to drive the growth of circuit board business is still expected to continue, and the electronic industry production hub of mainland China in order to prevent the resurgence of the epidemic, the local governments have advocated the "local New Year", so that many large manufacturers still maintain high crop rates for the New Year, and then In addition, the base period of the same period last year is relatively low. With the support of many factors, there is still a good chance that the production value in the first quarter of 2021 will not be slow in the off-season with an annual growth rate of over 25%, and the estimated production value is NT$174.3 billion. For the full year 2021, output is estimated to be NT$725.9 billion, a growth rate of 4.3%, on the back of optimistic expectations that the impact of the epidemic will likely be reduced by the vaccine, corporate and consumer spending will grow as the economy recovers, 5G smartphone penetration will double, and various end products and infrastructure will continue to grow.

Taiwan PCB manufacturers' production value scale

| | 2018 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2019 | 2020 Q1 | 2020 Q2 | 2020 Q3 | 2020 Q4 | 2020 | 2021 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 產值 (億新台幣) | 6,514 | 1,362 | 1,520 | 1,857 | 1,885 | 6,624 | 1,369 | 1,612 | 1,859 | 2,123 | 6,963 | 1,743 |
| Q/Q | | -24.8% | 11.6% | 22.2% | 1.5% | | -27.4% | 17.8% | 15.3% | 14.2% | | -17.9% |
| Y/Y | 5.2% | -3.4% | 3.5% | 1.7% | 4.1% | 1.7% | 0.5% | 6.1% | 0.1% | 12.6% | 5.1% | 27.3% |

| | 2018 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2019 | 2020 Q1 | 2020 Q2 | 2020 Q3 | 2020 Q4 | 2020 | 2021 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 產值 (百萬美金) | 21,601 | 4,418 | 4,881 | 5,949 | 6,178 | 21,426 | 4,541 | 5,385 | 6,306 | 7,377 | 23,609 | 6,131 |
| Q/Q | | -24.7% | 10.5% | 21.9% | 3.8% | | -26.5% | 18.6% | 17.1% | 17.0% | | -16.9% |
| Y/Y | 6.2% | -8.2% | -2.5% | 0.0% | 5.3% | -0.8% | 2.8% | 10.3% | 6.0% | 19.4% | 10.2% | 35.0% |
| 匯率 | 30.16 | 30.83 | 31.14 | 31.21 | 30.51 | 30.92 | 30.15 | 29.93 | 29.48 | 28.94 | 29.49 | 28.42 |

註: 數據統計範疇為台灣地區之台商與外商在台，和台商在中國大陸生產 PCB 之總體產值

資料來源:TPCA;工研院產科國際所(2021/02)

- **Future development trends**

(1) Global circuit boards are expected to maintain strong growth momentum in 2021

Global circuit board production in 2020 hit a high growth rate of 9.4%.

Although the base period has been pushed up, the global electronics market is expected to revive and demand for high-end and low-end products is expected to expand simultaneously. Conservatively, global PCB production is expected to grow by about 6% in 2021, and in an optimistic scenario, the growth rate is expected to be close to 10%. The main reasons are as follows:

1. Auto market is expected to bottom out and rebound

   According to Marklines, global sales of automobiles, the end product with the largest volume of shipments affected by the epidemic, will only be around 72 million units in 2020, the first time in nearly a decade that sales have fallen below 80 million units. The car market is expected to rebound in 2021, and global sales are expected to return to 8,000~85 million units. In fact, in the fourth quarter of 2020, PCB makers already felt the strong demand for automotive boards, and the growth was almost multiplied compared to the first half of the year. The strong demand for automotive circuit boards will continue in 2021.

2. The first year of 5G Smartphone sales

   Although 5G smartphones, including the iPhone, will be available in 2020, global smartphone shipments will decline by 10.5% in 2020 due to the epidemic's dampening of buying sentiment, and 5G smartphone shipments will only reach 236 million units. Therefore, it is estimated that deferred buying will be released in 2021, and the overall smartphone shipment is expected to return to over 1.5 billion units, with a growth rate of 12.9%. As for 5G smartphone shipments, 532 million smartphones will be shipped, which will drive the growth of circuit board production value, including AiP modules, RF component modules, higher-end motherboards, and more number of soft boards.

3. NB applications still play the role of assistants

   As mentioned earlier, in 2020, laptops will benefit from the trend of Work From Home and online learning, and the demand for laptops will be strong, which has not been seen for a long time. In 2021, although countries will start vaccinating against pneumonia, it is expected that the epidemic will gradually abate in countries around the world by the end of 2021. In addition, the booming development of self-media also drives professional high-end audio and video editing laptops, so it is estimated that the demand for notebook computers will not be transient, and will still have a growth rate of nearly 10% in 2021, with the market size reaching about 220 million units.

(2) Material price increase board factory profitability and cause new variables

The international copper price rose by nearly 60% in 2020 and peaked at approximately US$9,500 per metric ton in 2021, and although it dropped to approximately US$8,800 in early March, it has risen by 13% in just two months, keeping copper prices at the highest level in nearly nine years. Therefore, copper foil substrates, which account for the highest cost of circuit board materials, are under pressure to increase prices, and a wave of price increases has been initiated since the end of 2020. For PCB manufacturers, it is very difficult to fully transfer material price increases to customers, and the direct impact is a decline in gross margins. Therefore, although we still believe that end-user demand will drive continuous growth in overall PCB production value in 2021, and the capacity utilization rate of manufacturers will remain high, material price increases may be a major variable affecting the profitability of manufacturers.

(3) China's expansion of factories to compete for the world's first

Despite the black swan of the epidemic, PCBs maintain strong demand under the strong pull of 5G and new energy vehicles, which makes land-based enterprises expand production frequently. During the period of 2020-2022, there are 37 land-based board factories with clear investment and expansion plans, including multilayer boards and flexible boards, and more factories have crossed over into the fields of carrier boards, high level digital boards, HDI, soft and rigid laminates, etc. This shows that the battlefield between land-based factories and Taiwan, Japan and Korea is expanding, and the regional part is still Guangdong and Jiangxi as the main hot investment provinces, which also shows that Southern and Eastern China are still important bases for the PCB industry in China. It also shows that South and

East China are still important bases for the PCB industry in China.

(4) Japanese and Korean manufacturers focus on product lines to make transformation

If we look at the product layout of the major manufacturers in Taiwan, China, Japan and Korea, it seems that they can be divided into two different types of vein thinking. The major manufacturers in Taiwan and China are still expanding their product lines and developing towards the one-stop-shopping type to satisfy customers, and they are also expanding their operation scale through this mode. On the other hand, the Japanese and Korean manufacturers are gradually reducing their uncompetitive product lines and retaining only higher value-added high-end products in the hope of moving toward a smaller and more sophisticated industry model. For example, LG exited the HDI market, SEMCO exited HDI and plans to exit the rigid and flexible laminate market, and Daeduck exited the HDI market.

(5) Europe and the United States manufacturers to attack special applications, Southeast Asia and India colony gradually important

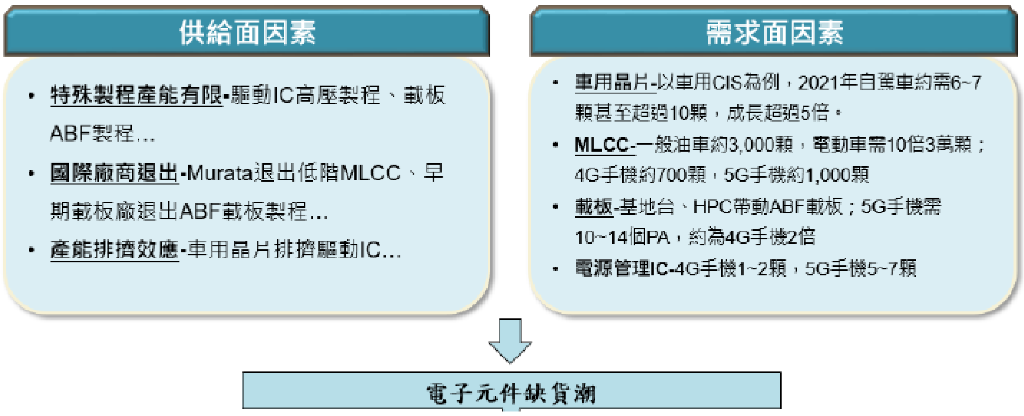
Although the market share of European and U.S. manufacturers is less than 10% of the global market, and they are smaller manufacturers except for TTM and AT&S, European and U.S. manufacturers specialize in niche markets such as industrial control, aerospace, medical, etc., and more 5G commercial applications are expected to land in 2021, and more customized 5G application niche markets will be commercialized. The business type of European and American manufacturers will be more favorable to the development of special applications of less circuit board demand. As for AT&S first-tier manufacturers, they are still competing with high-end products as the mainstream. In 2021, ABF carrier boards will continue to be one of the main growth drivers for AT&S, and with the increasing proportion of high-end circuit board products worldwide, it is expected to maintain a 5% to 10% growth rate.

Although there are no major local PCB manufacturers in Southeast Asian countries and India, Taiwan, Japan, Korea, Europe and the United States all consider this region as an indispensable part of the layout map due to the dual factors of spreading production risks and local market demand. The importance of Thailand and Vietnam in this region cannot be ignored. In the case of Thailand, although the 2020 epidemic has reduced the number of Thai cars produced and exported by about 35% to 40%, in 2021 Thailand will focus on the production of electric vehicles in addition to the resumption of growth in general fuel car production, and the value of circuit boards included in an electric vehicle is estimated to be more than $200, making Thailand an important gathering place for global automotive circuit board production. Vietnam has become the assembly town of Korean cell phone brands, and it also drives Korean component manufacturers to set up factories in the vicinity of support, while Taiwan's electronic assembly plants, including Hon Hai and Compal, have also increased the amount of investment in Vietnam, based on the movement of end-assembly customers, including circuit board component manufacturers will also consider the need to set up factories.

(6) Uncertainty in end sales due to component stock-outs

As shown in the figure, due to both supply and demand side factors, many different components are currently in shortage around the world. End product manufacturers and assembly plants are actively pulling from component manufacturers to raise the safety stock level in order to avoid the lack of materials for production. However, if the end product cannot be produced due to a shortage of a component, the inventory, including the circuit boards, cannot be absorbed as expected. Therefore, although it is generally expected that global electronic consumer demand will grow explosively in 2021, if the shortage of automotive chips is not resolved, there are uncertainties as to whether the global sales of automobiles will reach more than 80 million units in 2021, and there are also risks that other end products will not be produced as scheduled due to similar shortages of materials. This, of course, could be a source of uncertainty for continued sales growth of circuit boards in the second half of 2021.

Global component shortage wave




## 2. <u>Semiconductor industry</u>

- **Industry Overview**

(1) Global semiconductor industry

According to WSTS, the global semiconductor market will reach a total annual sales value of US$404.4 billion in 2020, up 6.8% from 2019; total sales volume will reach 953.7 billion units in 2020, up 2.3% from 2019; and ASP will be US$0.462 in 2020, up 4.4% from 2019.

The U.S. semiconductor market will reach US$95.4 billion in 2020, up 21.3% from 2019; Japan will reach US$36.5 billion, up 1.3% from 2019; Europe will reach US$37.5 billion, down 5.8% from 2019; China will reach US$151.5 billion, up 8% from 2019; and Asia Pacific will reach US$119.5 billion, up 5.4% from 2019.4.Asia Pacific semiconductor market sales reached US$119.5 billion, up 5.4% from 2019. Total annual sales of the global semiconductor market reach US$440.4 billion in 2020, up 6.8% from 2019.

(2) Taiwan IC industry

According to the latest statistics from ITRI's Institute of Industrial Science and Technology International, the output value of Taiwan's IC industry will reach NT$3,222.2 billion (US$108.9B) in 2020, a 20.9% increase from 2019. The IC design industry was NT$852.9 billion (US$28.8B), up 23.1% from 2019; the IC manufacturing industry was NT$1,820.3 billion (US$61.5B), up 23.7% from 2019, including NT$1,629.7 billion (US$55.1B) for foundries, up 19.4% from 2019; and memory and other manufacturing was NT$190.6 billion

(US$6.4B), up 19.4% from 2019.24.Memory and other manufacturing accounted for NT$190.6 billion (US$6.4B), up 19.4% from 2019; IC packaging accounted for NT$377.5 billion (US$12.8B), up 9.0% from 2019; and IC testing accounted for NT$171.5 billion (US$5.8B), up 11.1% from 2019. The exchange rate of NTD to USD is calculated at 29.6.

Taiwan IC Industry Output Value during 2016~2020

| 億新台幣 | 2016 年 | 2016 年成長率 | 2017 年 | 2017 年成長率 | 2018 年 | 2018 年成長率 | 2019 年 | 2019 年成長率 | 2020 年 | 2020 年成長率 |
|---|---|---|---|---|---|---|---|---|---|---|
| **IC 產業產值** | 24,493 | 8.2% | 24,623 | 0.5% | 26,199 | 6.4% | 26,656 | 1.7% | 32,222 | 20.9% |
| IC 設計業 | 6,531 | 10.2% | 6,171 | -5.5% | 6,413 | 3.9% | 6,928 | 8.0% | 8,529 | 23.1% |
| IC 製造業 | 13,324 | 8.3% | 13,682 | 2.7% | 14,856 | 8.6% | 14,721 | -0.9% | 18,203 | 23.7% |
| 晶圓代工 | 11,487 | 13.8% | 12,061 | 5.0% | 12,851 | 6.6% | 13,125 | 2.1% | 16,297 | 24.2% |
| 記憶體與其他製造 | 1,837 | -16.8% | 1,621 | -11.8% | 2,005 | 23.7% | 1,596 | -20.4% | 1,906 | 19.4% |
| IC 封裝業 | 3,238 | 4.5% | 3,330 | 2.8% | 3,445 | 3.5% | 3,463 | 0.5% | 3,775 | 9.0% |
| IC 測試業 | 1,400 | 6.5% | 1,440 | 2.9% | 1,485 | 3.1% | 1,544 | 4.0% | 1,715 | 11.1% |
| **IC 產品產值** | 8,368 | 2.9% | 7,792 | -6.9% | 8,418 | 8.0% | 8,524 | 1.3% | 10,435 | 22.4% |
| 全球半導體市場(億美元)及成長率(%) | 3,389 | 1.1% | 4,122 | 21.6% | 4,688 | 13.7% | 4,123 | -12.0% | 4,404 | 6.8% |

資料來源：工研院產科國際所

說明：

IC 產業產值=IC 設計業+IC 製造業+IC 封裝業+IC 測試業。

IC 產品產值=IC 設計業+記憶體與其他製造。

IC 製造業產值=晶圓代工+記憶體與其他製造。

上述產值計算是以總部設立在台灣的公司為基準。

- **Developmental Trend toward future**

(1) Global semiconductor industry

Despite the impact of COVID-19 on the global economy, the overall semiconductor market performed better than expected, benefiting from demand for cloud computing and remote work and learning devices. According to IDC's Worldwide Semiconductor Applications Forecast, global semiconductor revenue will reach US$442 billion in 2020, up 5.4% from 2019. After a poor performance in 2019, the DRAM and NAND markets also recovered in 2020, growing by 4% and 32.9%, respectively. IDC forecasts that the semiconductor market will reach $476 billion in 2021, growing at an annual rate of 7.7% as vaccines become more prevalent and the economy begins to open up and gradually recover.

Computing systems such as PC and server semiconductors will grow by about

10.9% in 2020 to reach US$152 billion. Working and studying at home has increased PC purchasing power in both the corporate and consumer markets. In addition, the decentralization of employees and students from centralized locations is forcing cloud service providers, telecoms and enterprise IT departments to invest more aggressively in computing infrastructure. IDC forecasts that computing system semiconductor revenue will grow 6.3% to $161 billion by 2021.

With the significant acceleration of 5G handset growth, smartphone is the second largest demand driver for semiconductor development in 2020. Although handset shipments decline by more than 5% in 2020, handset semiconductor revenues grow by ~3% as the market shifts to higher ASP 5G semiconductors, more memory, sensors, and RF support for more bands. 2021 will be a particularly important year for semiconductor manufacturers, as 5G handsets will account for 30% of all handset shipments and semiconductors for 5G handsets will account for nearly 54% of revenue. IDC forecasts that cell phone semiconductor revenue will grow 11.4% to $128 billion by 2021.

In the automotive and industrial semiconductor markets, automotive OEMs are experiencing manufacturing disruptions due to production allocations from some semiconductor foundries and semiconductor shortages, despite sales growth in the third quarter of 2020. In 2020, vehicle sales, including light commercial vehicles, decline by 14.5% to 71 million units, resulting in an 8.4% decline in automotive semiconductor revenue to $37 billion. IDC forecasts 12.6% growth in non-internal storage automotive semiconductor revenue by 2021, a market development to look forward to.

(2) Taiwan IC industry

In the IC design industry throughout 2020, MediaTek has released a variety of 5G SoC mobile chips, plus Rene and Luen Wing are expected to launch a variety of new products in 2021, coupled with the benefits of the U.S.-China technology war transfer orders, the short-term will not change. In addition, the epidemic has increased the demand for networking equipment, and the trend of AI remains unchanged, both in pushing up the IC design industry is growing. The IC design industry in Taiwan is expected to grow to NT$945.9

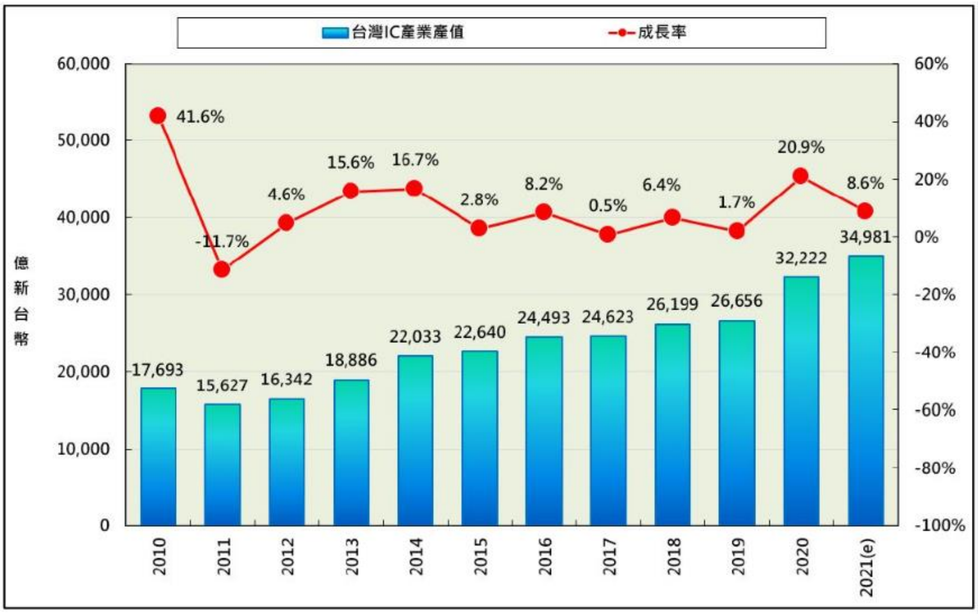
billion in 2021, up 10.9% from 2020.

Looking ahead to 2021, Taiwan's IC manufacturing industry is estimated to be NT$1,965.7 billion, an 8% increase from 2020. Among them, the value of the foundry industry grew by 8.5%, reaching NT$1,767.5 billion. The value change is due to the accelerated penetration of 5G cell phones and the significant growth in demand for high performance computing and automotive image processing ICs, resulting in strong growth momentum. In addition, the demand for 8-inch fabs is expected to remain very hot, mainly due to the demand for panel driver ICs driven by remote work teaching, and the demand for image sensors for cell phone camera and automotive ADAS systems. In addition, the demand for MCU for Internet of Things, automotive and medical applications is also rising gradually, which will keep the demand for 8-inch fabs hot for some time. In the memory segment, 5G smartphones, data center servers, automotive and consumer electronics are all expected to see good development in 2021. It is estimated that the value of memory-related products will increase slightly by 4% in 2021, reaching a scale of NT$198.2 billion.

Looking ahead to 2020, the IC packaging and testing industry is expected to stabilize due to the COVID-19 epidemic and the popularization of vaccines, which will gradually heat up the global economy and boost the sales of electronic end products. Taiwan's packaging and testing industry is expected to reach NT$586.5 billion in 2021, up 6.8% from 2020.

In summary, Taiwan's IC industry is estimated to reach NT$3,498.1 billion in 2021, an 8.6% increase from 2020.

Taiwan Semiconductor Industry Value Development Trend




資料來源：工研院產科國際所

## 3. Optical Communication Industry

- Overview

Despite the outbreak of novel coronavirus pneumonia (COVID-19) in 2020, the pace of 5G deployment by global telecom operators has been largely uninterrupted, except for some European countries where 5G spectrum release and network deployment have been affected, such as China, which has accelerated 5G telecom infrastructure construction with the help of new infrastructure policies. According to the GSMA, by September 2020, a total of 129 countries and 397 operators will have invested in 5G. There are 101 operators in 44 countries/regions that have launched at least one or more 5G services that meet the 3GPP definition. By the end of the year, it is expected that 176 operators will have launched at least one or more 5G services that meet the 3GPP definition. Major U.S. telecom operators also increase network equipment construction spending, driving the global telecom infrastructure market to grow against the wind. The global 5G mobile infrastructure market is estimated to reach US$15.7 billion in 2020, up 83.5% from 2019.

Looking back to 2020, the U.S.-China trade dispute accelerated the international layout of key issues in the communications industry, including the establishment of the U.S. Open Network Policy Alliance, which plans to invest $1 billion to encourage industry players to invest in open network technology research and development; in terms of low-orbit satellite communications, 3GPP began to discuss the NTN (non-land area network) project in R17, and the low-orbit satellite industry is the direction encouraged by the U.S. and other countries' policies to promote. The key low-orbit satellite project operators have entered the initial testing. Meanwhile, China is planning to invest 10 trillion RMB in the 14th Five-Year Plan to build the foundation for 6G technology by investing in third-generation semiconductor autonomy. In terms of 6G development, the ITU has also initiated research work related to 6G and is expected to complete its 6G technology vision by 2023, with subsequent discussions on 6G performance indicators just around the corner.

- The trend of development toward future

The market opportunities for the optical communication industry after the implementation of 5G will mainly come from the increase of optical transceiver modules and the upgrade of data center network switches. In order to meet the high-band characteristics of 5G architecture, additional base stations and small base stations are required, which are 3 to 4 times more than those of 4G, to ensure complete signal coverage. On the other hand, we have seen major networking companies such as Google, Amazon, Facebook, Microsoft, etc., gradually introducing 400G optical communication modules and upgrading 400G data switches for their data centers. Therefore, ITRI predicts that each 5G base station will have an estimated demand of about 7 optical transceiver modules, and the trend of data center makers replacing old ones with new ones, which is expected to bring market growth opportunities for the optical communication industry.

In addition, breakthroughs in optical fiber materials have led to the development of special optical fibers that are more than a thousand times more resistant to moisture and humidity than traditional optical fibers, and with the new generation of fiber optic grating (FBG) technology derived from emerging sensing applications, which is also a market opportunity worthy of attention in the optical communications industry. Fiber optic sensors are small in size, light in weight, free from electromagnetic interference, high weather resistance, no need for electricity, long transmission distance, and high signal fidelity, and have been used in preventive maintenance of railways, trains, dams, houses, slopes, and wind turbines.

ITRI observes that, with the optical communication industry catering to the development of 5G, DWDM-PON (high-density split-wave multiplexed passive optical network) combined with millimeter-wave wireless transmission will be the main axis of the development of the subsequent optical communication technology by constructing an integrated optical and wireless full-duplex UHF communication network architecture for the transmission of high-speed and high-capacity information.

C. Relevance of upstream, midstream and downstream companies

In the agency equipment industry, the upstream is the supplier, and the function of the agent is to study the equipment needed for the manufacturing process of downstream terminal customers in each industry. TKK’s main business is similar to the above.

It would find the most suitable equipment specially designed for the downstream customers’ manufacturing process, and introduce new equipment for the customer's new manufacturing process or introduce the next-generation processing equipment for the industry to enhance the customer's competitiveness.

D. Various development trends and competition of products

Electronic products continue its development towards light, thin, short, and small products, the quality requirements are further improved, and advanced countries are more demanding for green energy and lead-free environmental protection processes. This would again promote equipment upgrades.

The entry barrier of the agency equipment industry is not very strong, and the ability of Taiwanese manufacturers to make their own equipment gets better day by day. In the case of fierce competition and reduced demand, the life cycle of agent equipment would continue to shorten. And in this highly competitive industry, TKK would continue to grow with the introduction of higher-order and new-process technologies and equipment to enhance its competitiveness.

E. Technology and R & D Overview:

a. Successfully developed technologies or R & D products from the most recent year to the end of publication of the annual report:

With the technical support by suppliers, the products represented, manufactured or assembled by TKK and its subsidiaries are committed to developing new process equipment, materials and technologies for the existing electronics industry according to the needs of customers. In addition, TKK is also actively developing new products in the semiconductor, solar energy, optoelectronics, and chemical materials industries. The company provides customers with the most advanced future technologies and demonstrate its channel distribution system through the technical support by suppliers.

1. Expected future R&D plans and expenses from the most recent year to the end of publication of the annual report:

The subsidiary has many years of practical experience in R & D, production and assembly of electrical test fixtures and equipment, and has independently trained a R & D team with innovation and improvement capabilities. This team is highly competitive in the market. The R & D expenses in 2020 are close to NT$4.5million, and it is expected that there will continue to be 0.2%~0.5% of R & D expenses this year and next year.

R & D expenses from the most recent year to the end of publication of the annual report:

| Year / Item | 2019 | 2020 | For Year Ending Mar. 31, 2021 |
|---|---|---|---|
| R & D expenses (A) | 5,481 | 4,504 | 988 |
| Net Operating Revenue (B) | 1,154,228 | 1,386,400 | 403,197 |
| (A)/(B) ％ | 0.47% | 0.32% | 0.25% |

F. Long-term and short-term business development plans:

(1) Short-term plan

a. Enhance the quality and efficiency of existing customer support services and improve customer satisfaction.

b. Introduce more advanced equipment and materials depending on customer and industry needs.

c. Develop agency for new products with high added value.

d. Increase the number of foreign strategic alliance partners to enter new technology fields.

e. Improve production and assembly processes and shorten delivery times.

(2) Long-term plan

a. Introduce advanced and sophisticated process equipment, materials and technologies from all industries based on the customer and industry needs.

b. Continue to develop universal electronic components.

c. Develop a low-pollution and high-performance product line.

d. Introduce high-end products targeted at the High End product line.

e. Improve the professional quality of employees and increase the efficiency of business operations.

f. Stabilize credit, reduce the possibility of bad debts, and cooperate with the Group's long-term business development plan to make sound planning and control of funds.

2. TKK Market and Sales Overview

A. Market analysis:

(1) Sales areas of TKK's main product

| Year / Type | 2019 | | 2020 | |
|---|---|---|---|---|
| | Sales | % | Sales | % |
| Local sales | 728,921 | 63.15 | 796,547 | 57.45 |
| Export sales | 425,307 | 36.85 | 589,853 | 42.55 |
| Net Operating | 1,154,228 | 100 | 1,386,400 | 100 |

| | | | | |
|---|---|---|---|---|
| Income | | | | |

(2) Market share

Due to the success in capturing market trends and the R & D of advanced processes, the company has established a good reputation in the market for more than 30 years and has built up the excellent ability as an agent, thus it has priority to be the agent of high-end products. After obtaining the agency rights, these advanced equipments or technologies will be actively introduced to the electronics industries in Taiwan through exhibitions, technical seminars and new product briefings, which would enhance the technical level of customers, increase competitiveness and create a win-win solution on creativity for Taiwan's electronics industry.

Although the highly competitive industry would reduce the market share of the TKK's agency products, the company continues its strategy on introducing high-end products and to become the professional agent with the highest market share in high-tech products in the Greater China Region.

(3) Competitive niche, favorable development prospects, unfavorable factors and countermeasures

a. Competitive niche and favorable factors:

■ Continuous development of quality products

Over the years, the electronics industry has been continuously upgraded and transformed. The company has penetrated the industry and accurately grasped the transformation of the industry. Its agent products have been closely related to the development of the industry and market trends.

■ Experience in establishing a channel marketing network

Since the company was established in 1977, it has adapted sales channels to Taiwan, China, Japan, Hong Kong, Philippines, Singapore, Thailand and other countries, and has formed a stable marketing network with excellent international competitiveness.

■ Long-term customer and supplier relationships

The company's business philosophy is "integrity". TKK has an intimate relationship with its customers and suppliers as they have grown together over the years, and experienced the difficult times and development of the Taiwan’s electronics industry.

■ Excellent and experienced service team

In addition to having a deep understanding of the industry, the company also cooperates with professional technical and logistics personnel to form a strong service team, so it can provide customers with high efficiency and high quality professional services.

■ Stable financial policy

The company adopts a stable financial policy that does not expand credit and does not invest in industries that are unfamiliar or unrelated to the industry.

b. Unfavorable factors and countermeasures

■ Short technology life cycles:

The process or technology of the electronics industry is progressing rapidly, with a short life cycle on equipment or technology. In addition, the improvement of the ability of Taiwanese manufacturers on self-made products is also a major problem for the company.

Countermeasures:

Continuously improve the technical capabilities of the new product development team, and quickly collect market intelligence and negotiable agency contracts through the alliance of companies that set up subsidiaries in the United States and Japan.

In addition, the company has also established subsidiaries in Taiwan and China, reducing the geographical restrictions and time differences in providing services. At the same time, through the recruitment of consultants from the United States, Germany and Japan, we regularly provide the latest developments in the industry and market information, so that the company can keep abreast of the latest technological pulse and grasp the opportunities of market development.

- Offshore migration of the manufacturing industry:

  Since China and Vietnam have relatively low-cost labor and land resources, manufacturers who want to reduce production costs will set up factories in these countries.

  <u>Countermeasures:</u>

  Establish a subsidiary in China to build a complete technical support service network, in order to provide services to existing customers, and have the opportunity to serve customers in China. The assessment on whether to establish service centers in Vietnam and other regions is based on the needs of downstream customers.

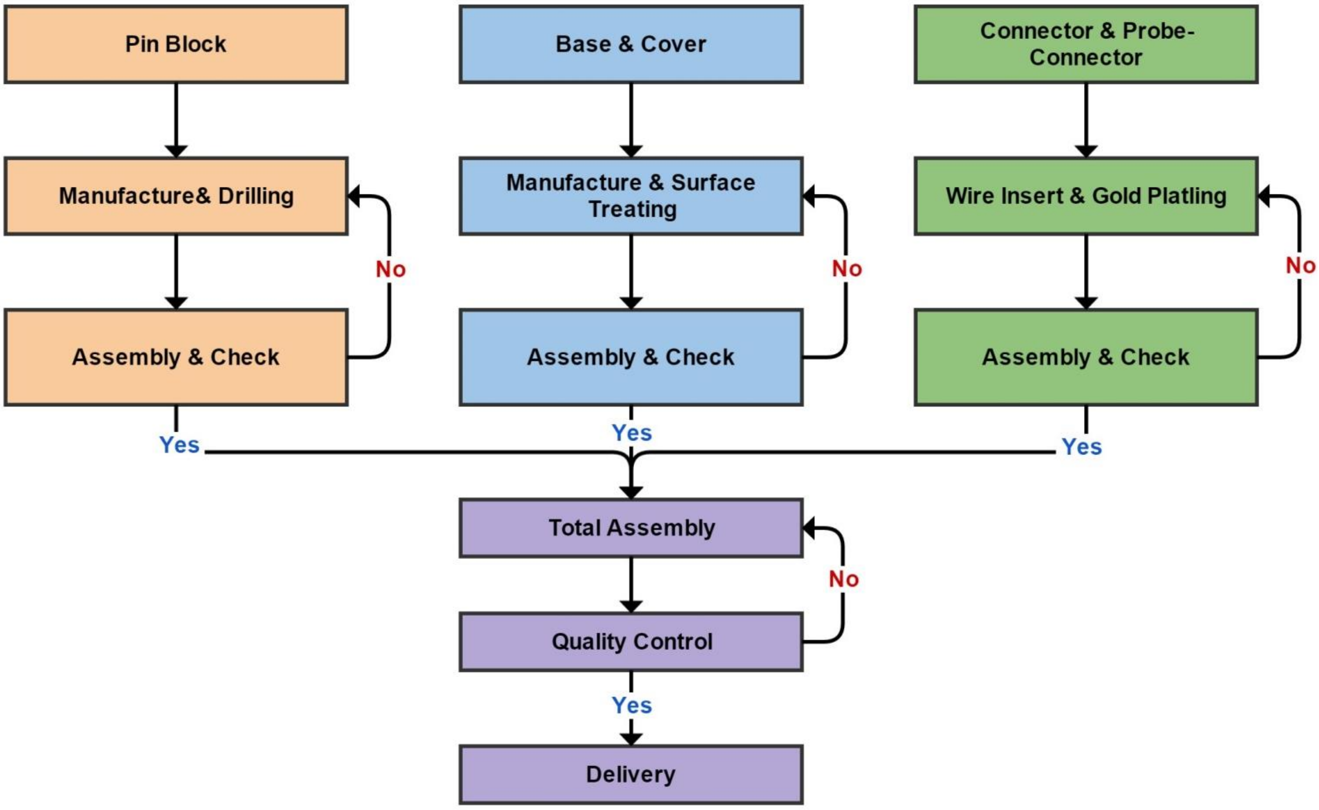
B. TKK Market and Sales Overview

(1) Main products’ important functions

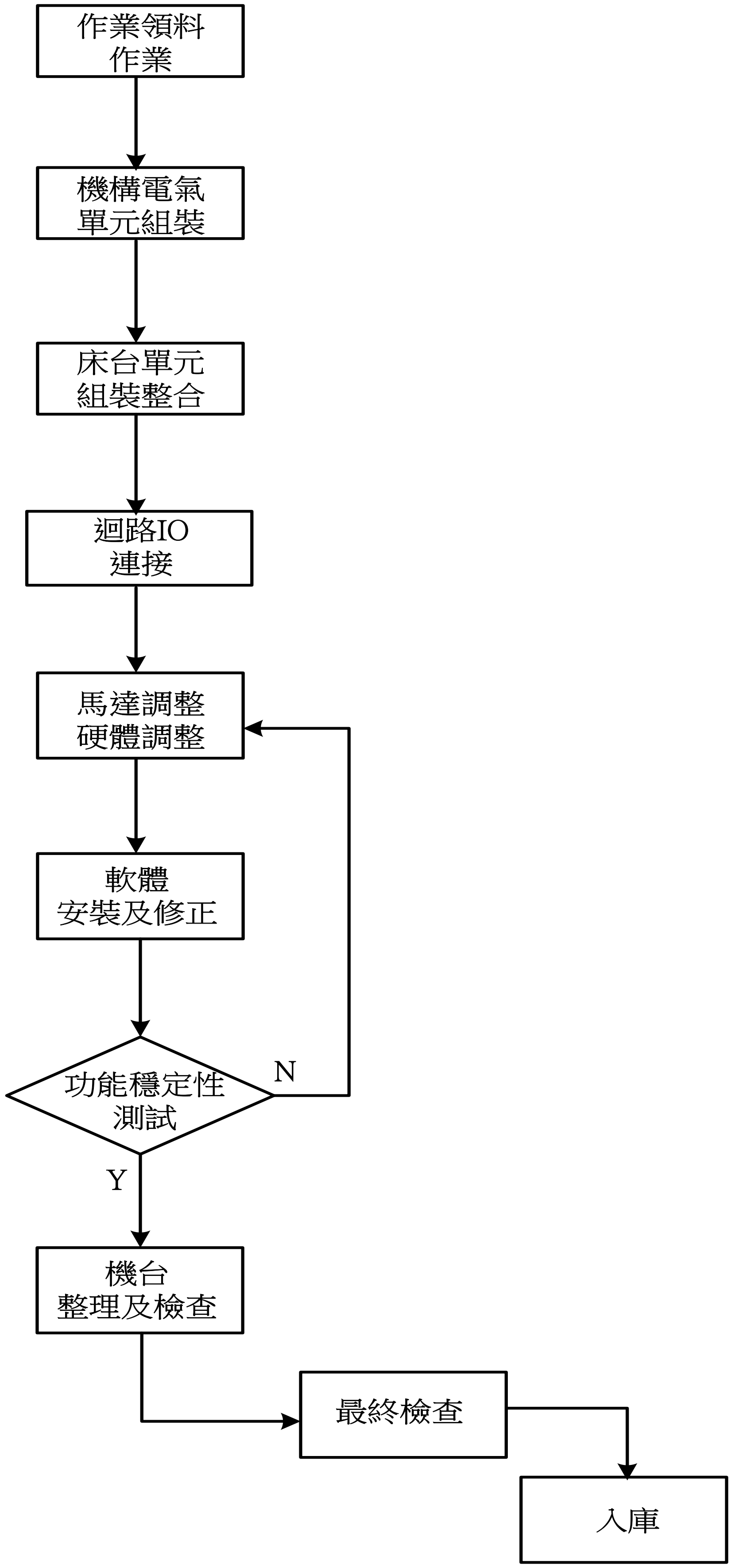
| Main product type | Main products | Functions |
|---|---|---|
| Electronic components, equipment and materials | AOI automatic optical inspection machine, AVI automatic visual inspection machine, Exposure machine, Wet film coating (inner layer/anti-welding), Belt sander, Scrubber machine and other wet process equipment, Ceramic brush, Inductive bonding machine, Hot press, Short/Break tester, High-density test fixture, Solder ball inspection equipment, Short circuit/open circuit test OEM and patent and IC Analysis services, Chemical liquid analysis equipment, Clean & non-oxidation automation oven, etc. | Printed circuit manufacturing |
| Semiconductor package and manufacturing equipment, and electronics assembly. | Transfer type hot plate reflow/baking equipment, circulating electroplating liquid analyzer, near-infrared light concentration monitor, wafer surface cleaner, wafer coater, wafer surface contaminant inspection machine, X-Ray inspection equipment, wafer surface organic inspection machine, chip package inspection machine, high-end package die bonding machine, automated wafer transfer arm, high-end package precision printer, high-end package precision ball mounter, 3D surface profile measurement, SMD Chip Counter, plasma surface cleaning, dust-free and oxygen-free ovens, Cassette cleaning machine, atomic force microscope, dispensing machine and tape crystal grain rework machine. | Semiconductor package and manufacturing, and electronics assembly. |
| Assembly equipment, components and materials for optical communications module | Precision placement machine, automatic coupling equipment, photoelectric test equipment, optical lens. | Optical communication industry, high-power laser module, precision optical assembly, extreme sensor assembly |
| Solar energy production process | Fully automatic screen printer line. | Solar industry |
| SMT electronic assembly | Selective soldering furnace, reflow oven, placement machine, fully automatic solder paste printer, desktop automatic optical inspection machine, X-RAY inspection machine, solder paste inspection equipment. | SMT assembly |
| Others | Export business for Taiwan's sophisticated equipment products, Electrical testing of the generation of processing | |

(2) Main products' production process

- Production process of the electrical test fixture:



- Equipment assembly process:



C. Primary raw materials of main products

(1) Primary raw materials

Most of the raw material suppliers of the Company and its subsidiaries are well-known domestic and foreign manufacturers. The source of supply is quite stable with little price fluctuations. The company developed a close relationship with various suppliers and established a high level of cooperation.

Domestic suppliers mainly provide processing of metal raw materials, and the supply is sufficient.

(2) List of major suppliers

| Supplier name | **Main shipping items** |
|---|---|
| WKK JAPAN LTD. | Printed circuit board processing equipment and components. |
| Rorze Technology, Inc. | Semiconductor electronic equipment and components |
| INSPEC INC | Printed circuit board processing equipment and components. |

D. The number of clients and their purchase amount and ratio that accounted for more than 10% of the total sales in the last two fiscal years:

(1) The clients that accounted for more than 10% of the total sales in the last two fiscal years:

| | 2019 | | | | 2020 | | | | As of end of Q1 2021(Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer |
| 1 | ASE Group | 244,037 | 21.14 | - | COMPEQ GROUP | 196,921 | 14.20 | - | TSEC Corporation | 65,448 | 16.23 | - |
| 2 | COMPEQ GROUP | 185,437 | 16.07 | - | ASE Group | 181,173 | 13.07 | - | NIDEC-READ TAIWAN CORPORATION | 63,786 | 15.82 | - |
| 3 | KINSUS | 112,843 | 9.78 | - | KINSUS | 120,351 | 8.68 | - | COMPEQ GROUP | 59,358 | 14.72 | - |
| | Others | 611,911 | 53.01 | | Others | 887,955 | 64.05 | | Others | 214,605 | 53.23 | |
| | Net Total Supplies | 1,154,228 | 100.00 | | Net Total Supplies | 1,386,400 | 100.00 | | Net Total Supplies | 403,197 | 100.00 | |

Reasons for change: None.

Note 1：The number of clients and their purchase amount and ratio that accounted for more than 10% of the total sales in the past two years is listed in the above table. However, due to the contractual agreement, the name of the supplier or the counterparty may be disclosed as an individual and non-related party.

Note 2：Up the date of publication of the annual report, the companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified or reviewed by the accountant.

(2) The suppliers that accounted for more than 10% of the total purchases in the last two fiscal years

| | 2019 | | | | 2020 | | | | As of end of Q1 2021(Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer |
| 1 | WKK JAPAN LTD. | 252,475 | 33.67 | Interested Party | WKK JAPAN LTD. | 259,740 | 32.20 | Interested Party | WKK JAPAN LTD. | 88,433 | 37.66 | Interested Party |
| 2 | Rorze Technology, Inc. | 124,781 | 16.64 | - | Rorze Technology, Inc. | 98,975 | 12.27 | - | Suzhou Maxwell Technologies | 56,937 | 24.25 | - |
| | Others | 372,623 | 49.69 | | Others | 447,996 | 55.53 | | Others | 89,449 | 38.09 | |
| | Net Total Supplies | 749,879 | 100.00 | | Net Total Supplies | 806,711 | 100.00 | | Net Total Supplies | 234,819 | 100.00 | |

Reasons for change: None.

Note 1：The number of suppliers and their purchase amount and ratio that accounted for more than 10% of the total sales in the past two years is listed in the above table. However, due to the contractual agreement, the name of the supplier or the counterparty may be disclosed as an individual and non-related party.

Note 2：Up the date of publication of the annual report, the companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified or reviewed by the accountant.

E. Output analysis for the last two years:

Unit: NT$ thousand; Set

| Year / Divisions | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| Manufacturing division | 836 | 446.5 | 50,257 | | | |
| Total | 836 | 446.5 | 50,257 | | | |

Note 1: Capacity refers to the quantity that can be produced under normal operation after the company has measured the necessary temporary shutdowns, holidays, etc., using the company's existing production equipment.

Note 2: The production of each product is substitutable. It is necessary to calculate the consolidated production capacity, and it shall be listed in the note.

F. Sales value for the last two years:

Unit: NT$ thousand

| Year | 2019 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Local Sales | % | Export Sales | % | Local Sales | % | Export Sales | % |
| Customer Service | 117,081 | 16.06 | 13,232 | 3.11 | 141,324 | 17.74 | 37,836 | 6.42 |
| PCB division | 263,325 | 36.13 | 322,226 | 75.76 | 319,720 | 40.14 | 412,506 | 69.93 |
| Electronics division | 340,765 | 46.75 | 79,791 | 18.76 | 333,329 | 41.85 | 88,245 | 14.96 |
| Manufacturing division | 7,750 | 1.06 | 10,058 | 2.37 | 2,174 | 0.27 | 51,266 | 8.69 |
| Total | 728,921 | 100 | 425,307 | 100 | 796,547 | 100 | 589,853 | 100 |

G. Historical performance indicators:

| Analysing Item \ Year | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Historical performance indicators | Return On Assets (%) | 6.56 | 2.30 | 5.33 | 7.01 | 14.52 |
| | Return On Equity (%) | 8.44 | 2.88 | 6.75 | 9.28 | 19.99 |
| | Pre-tax net profit as a percentage of paid-in capital (%) | 28.27 | 8.86 | 20.83 | 27.32 | 57.90 |
| | Net profit margin (%) | 8.83 | 3.31 | 5.02 | 6.60 | 12.74 |
| | EPS (NT$) | 2.03 | 0.68 | 1.63 | 2.11 | 4.86 |

H. Key performance indicators：

| Item \ Year | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Performance indicators | Accounts receivable turnover (times) | 4.64 | 4.54 | 6.73 | 6.29 | 7.88 |
| | Average collection period | 78.66 | 80.40 | 54.23 | 58.03 | 46.32 |
| | Inventory turnover (times) | 8.14 | 7.83 | 14.26 | 13.49 | 11.51 |
| | Accounts payable turnover (times) | 4.88 | 5.25 | 8.98 | 7.24 | 6.84 |
| | Average Sales Period | 44.84 | 46.62 | 25.59 | 27.06 | 31.71 |

3. Information on the employees employed (during the current quarter up to the date of publication of the annual report)

| **Item／Year** | | **2019** | **2020** | **For Year Ending Mar. 31, 2021** |
|---|---|---|---|---|
| Number of Employees | Managers | 46 | 42 | 42 |
| | Technical service | 118 | 112 | 114 |
| | Business Marketing | 28 | 31 | 29 |
| | Administrative | 56 | 58 | 58 |
| Total | | 248 | 243 | 243 |
| Average Age | | 40.02 | 42.73 | 43.13 |
| Average Years of Service | | 9.13 | 8.39 | 8.93 |
| Education (%) | Masters | 4.35% | 3.72% | 3.64% |
| | Bachelor's Degree | 82.57% | 88.82% | 89.06% |
| | Senior High School | 12.72% | 7.12% | 6.96% |
| | Below Senior High | 0.34% | 0.32% | 0.34% |

4. Disbursements for environmental protection

As of the latest fiscal year and the date of printing and publishing the annual statement, all losses caused by polluted environment (included liability and the audit result of the environmental protection bureau showed violation of related laws and regulations) and disclosure of potential estimates and countermeasures currently and in the future.: Not applicable

5. Labor Relations

A. Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures.

(1) Employee benefits:

a. Labor insurance, health insurance and group insurance.

b. Organize employee travel depending on business conditions.

c. Employee’s birthday reward.

d. Three bonuses or rewards for employees.

e. Gifts or condolence money for employees' wedding or mourning ceremonies.

f. Organize recreational and group activities for employees.

(2) Continuing education and training

The Company and its subsidiaries provide staff education and training to enhance their professional competence and reserve technical and management talents, and to cooperate with the company's business development and seek effective labor utilization. The Company and its subsidiaries have established educational training management methods.

The 2020 major employee education training courses are listed as follows:

| Training course | External | Internal |
|---|---|---|
| **Number of trained employees** | 219 | 1281 |
| **Expenditure (NT$Thousand)** | 341 | 11 |
| **Training course** | 0529Philoptics Exposure Machine On/Off Training & 0615Philoptics Exposure Machine Alignment Education Training | [Digi+Talent Digital Network Academy] AI Taiwan - Smart Service |
| | (sent overseas for training) HIOKI FA1816 | 1232-01 Duplex laser position adjustment method |
| | General Safety and Health Education Training Class | B2B customer management strategy |
| | E03 - Basic free radiation protection training | Problem Analysis and Resolution |
| | MIT Installation Technician Qualifications | International Trade Practice Concepts |
| | MTP Management Talent Development Training Course | Online Questionnaire Implementation |
| | Nidec-Read Installer Technician Qualifications | Sales Tips |
| | Occupational Safety and Health Business Manager Course C | Workplace Training |
| | TSMC's Training Tips - How to Make Training Work | 1116SO Search function |
| | Analysis of international trade contracts and use of terms of trade | Advanced Packaging: Market Trends and Technology Evolution |
| | Continuing Education Course for Accounting Supervisors of Issuing Securities Firms and Stock Exchanges | Cedatec Pinless Operation |
| | Precision Communication in the Workplace - Oral Presentation Training Course | Introducing coinstack+Reflow |
| | Seminar on HR Function Enhancement - 10 Tips for HR Function Excellence to Demonstrate Job Performance | Introduction to ficonTEC Principle and Process |

| Training course | External | Internal |
|---|---|---|
| | Labor Law Practical Application Training Course | Gantry Setup |
| | Workshop on using hub analysis and data processing to effectively perform financial and auditing tasks | Gata-7755 LuL Teching |
| | Basic free radiation protection training | GATS-2127 arm calibration |
| | BCP Webinar: Business Operation Uninterrupted Plan with Data Backup | GATS-77xx 212x Related Software Upgrade |
| | Akamai Webinar - Confirmation: Are you a robot? Let Akamai help you find the right person | GKG printing machine operation and maintenance loading process education |
| | International logistics practices, and cross-border e-commerce logistics operations | HIOKI O/S generation abnormal condition correction |
| | AWS Dev Day Taipei 2020 | IAI Control Description |
| | Labview Automation Project and Hardware Communication Course | ISO 2015 Edition Internal Audit Training |
| | NIDEC-CSP 120 Handler Manual | Weisheng Instrument_Ultra-high Temperature Steam Reactor Introduction |
| | Seminar on Occupational Accident Compensation and Occupational Disease Recognition | 1118/1811 height adjustment |
| | On-the-job training course for first responders | 1231 Fixture assembly and machine testing |
| | 2020 Industrial Safety and Health Technology Counseling Results Presentation | Gilding and Potion Replacement |
| | 2020 Labor Standards Law Promotion Meeting for Electronic Component Manufacturing Industry | PB measurement programming and measurement |

(3) Retirement system and its implementation

The company has established a retirement management regulation, and employees can apply for their own retirement when the following conditions are met:

a. Employed for more than 15 years and is over 55 years old.

b. Employed for more than 25 years.

c. Employed for more than 10 years and over 60 years old

The method of providing pensions is clearly set out in the management method and is described as follows:

i. Old pension allocation systems

In accordance with relevant laws and regulations, the company allocates no more than 2% every month employee’s pension reserve based on the total salary of employees.

ii. New pension allocation systems

The new Labor Pension Regulations went into effect on July 1, 2005, and the company allocates no less than 6% of the monthly salary of employees who are deemed qualified base on relevant laws and regulations. This amount shall be deposited to the employee's pension account, which was appointed by the central competent authority.

In addition, the Company also holds quarterly pension management committee meetings to review the status of pensions and implementation. The participants in the meeting include representatives of management and the employees within the company. Since the beginning of 2020, a total of 6 meetings have been held:

| Date of Meeting | Attendance (4 employees representatives and 2 management representatives) | New pension allocation % | Old pension allocation | Calculation end date of old pension allocation |
|---|---|---|---|---|
| Feb 12, 2020 | 5 | 6% | 31,280,153 | 2019/12/31 |
| May 12, 2020 | 6 | 6% | 32,656,970 | 2020/3/31 |
| Aug 11, 2020 | 6 | 6% | 32,927,546 | 2020/6/30 |
| Nov 11, 2020 | 6 | 6% | 33,198,710 | 2020/9/30 |
| Feb 4, 2021 | 6 | 6% | 32,687,460 | 2020/12/31 |
| May 13, 2021 | 6 | 6% | 33,386,286 | 2021/3/31 |

(4) Managers' annual participation of education and training related to corporate governance

| Title | Name | Training Date | Organizer | Training Course | Training Hours |
|---|---|---|---|---|---|
| General Manager | LIAO HUNG-YING | Mar 15, 2020 | Taiwan Investor Relations Institute | New corporate governance norms and trends that directors and supervisors should be aware of in 2020 | 3.0 |
| | | Aug 13, 2020 | Taiwan Printed Circuit Association | The Benchmark Forum - After the epidemic, the world's stables and changes | 1.5 |
| | | Nov 12, 2020 | Taiwan Printed Circuit Association | Improve AI risk analysis and management to create trustworthy integrated applications | 3.0 |
| Deputy General | CHEN MEI-FEN | Mar 15, 2020 | Taiwan Investor Relations | New corporate governance norms | 3.0 |

| Title | Name | Training Date | Organizer | Training Course | Training Hours |
|---|---|---|---|---|---|
| Manager of the Management Division | | | Institute | and trends that directors and supervisors should be aware of in 2020 | |
| | | Nov 12, 2020 | Taiwan Printed Circuit Association | Improve AI risk analysis and management to create trustworthy integrated applications | 3.0 |

(5) Relevant certifications of the personnel involved in the transparency of the company's financial information:

| Certification | Number of people | |
|---|---|---|
| | Financial Personnel | Auditor |
| Taiwan's Certified Public Accountant CPA | 0 | 0 |
| Certified Internal Auditors CIA | 0 | 0 |

(6) Retirement system and its implementation: Provide monthly pension preparations in accordance with the Labor Retirement Regulations, and apply for a pension according to the provisions of the Labor Standards Act in order to encourage long term services of employees and professionals. The company regularly holds meetings of the Organization of Supervisory Committee of Business Entities.

(7) Labor agreements: TKK holds labor meetings on a regular basis, and discuss the resolution of employee opinions in a timely manner in order to maintain harmonious labor relation. Since it is established in 1977, it has not suffered any losses due to labor disputes, and will continue to maintain a more harmonious labor relationship in the future. The subsidiary also communicates with staff member maintain a good relationship between the management and employees.

B. Working environment and employee safety protection measures

The establishment of the group for planning and promoting the safety and health policies and management systems of the Company and its subsidiaries, and auditing the relevant implementation results, their main tasks are as follows:

(1) Conduct labor safety and health education and training according to the

Occupational Safety and Health Act to prevent occupational disasters and ensure the safety and health of employees.

(2) In order to prevent occupational disasters, the company conducts an annual employee health check to ensure the physical and mental health of employees.

(3) Conduct water quality testing of drinking water at least once a year to ensure water sanitation and employee health.

(4) Test the carbon dioxide concentration of the indoor office environment at least once a year to ensure a comfortable working environment and employee health.

(5) Purchasing protective equipment for work safety according to the operational needs of the department to prevent occupational disasters and ensure the safety and health of employees.

(6) Provide employees with at least 3 hours of labor safety and health education and training twice a year to establish the correct occupational safety and health knowledge of employees to avoid occupational disasters.

(7) Strengthen the training of first-aid personnel and strengthen the initial first-aid knowledge and technology of the company's colleagues, so as to be able to play the role of self-saving and saving others in the event of a disaster.

(8) Coordinate with the relevant contracting requirements of the customer and the management requirements of the factory to make appropriate publicity to ensure the safety and health of the relevant colleagues in the customer's workplace to prevent occupational disasters.

C. Employee behavior or ethical rules:

In order to let all employees understand employee behavior and ethics, the relevant regulations are set up for the management of the company and all employees to follow. It is announced in the company's internal network announcement area to provide all colleagues with any inquiries at any time. The rules are briefly described as follows:

(1) Rules of Employee Ethics: The “TKK&YOU” Employee Ethics Rules are summarized as follows:

a. The core values are integrity, professionalism, diligence, unity and harmony.

b. Adhere to the Company with integrity, diligence, unity and professionalism. ◦
c. Service the Company with a spirit of enthusiasm.
d. The Company's intellectual property and business secrets should be protected, and the information obtained in the professional relationship should be kept confidential.
e. Professional skills should be continuously enriched to improve service quality.
f. Abiding by the law and taking the best interests of the company as a priority.
g. Never seek personal interests or personal matters to influence the company.
h. Treat colleagues with respect, courtesy and sincerity.
i. Abide by the Company's regulations and fulfill the powers and responsibilities assigned by the company.
j. Commitment to improving the Company's policies, service procedures and service effectiveness.

(2) Establish relevant rules to conduct for the safety and health management of the work environment and the personal safety protection of employees to ensure the safety and sustainable development of the company and enhance the corporate image:
a. Establish rules for safety and health working.
b. Establish a checklist for general safety and health facilities.
c. Establish traffic safety rules.
d. Establish rules of office safety and health.
e. Establish electrical safety rules.
f. Establish computer operating safety rules.
g. Establish rules of safety and hygienefor hand tools.
h. Establish fire safety rules.
i. Establish material handling and storage rules.
j. Establish safety rules for overhead operations.
k. Establish practice rules for hazardous chemicals.
l. Establish practice rules for organic solvents.

m. Set up a fire extinguisher checklist.

n. Set up an automatic inspection schedule.

D. As of the latest fiscal year and the date of printing and publishing the annual statement, all losses caused by polluted environment (included liability and the audit result of the environmental protection bureau showed violation of related laws and regulations) and disclosure of potential estimates and countermeasures currently and in the future::

The labor relations between the company and its subsidiaries are harmonious, and no labor disputes have occurred. The Company and its subsidiaries attach great importance to the welfare of employees, and always pay attention to changes in the main and objective environment and revise various welfare measures to meet the needs of employees. It is estimated that there will be no losses due to labor disputes in the coming year.

6. Important sales contracts and sales agency agreements

| Agreement | Counterparty | Period | Major Contents | Restrictions |
|---|---|---|---|---|
| Sales Agency | Cedatec srl (Italy) | 2016.01.20~2017.01.19 (Automatic extension) | High-frequency hot melt machineand press equipment sales agent | Restricted to:：Taiwan, China |
| Sales Agency | ficonTEC Service GmbH (Germany) | 2015.02.01~2024.03.31 (Automatic extension) | Distributor of Optical Component Laminating Machine | Restricted to:：Taiwan, |
| Sales Agency | Furnace Co., Ltd. (Japan) | 2005.12.20~2006.12.19 (Automatic extension) | Roller Coater & Oven's sales agent | Restricted to:Taiwan, Hong Kong, China |
| Sales Agency | HIOKI E.E. Corporation (Japan) | 1999.06.30~2021.12.31 (Automatic extension) | Sales agent of flying needle testers | Restricted to:：Taiwan, China |
| Sales Agency | Inspec Inc. (Japan) | 2011.06.02~2013.06.01 (Automatic extension) | AOI, AVI's sales agent in PCB | Restricted to:Taiwan, China |
| Sales Agency | Kamitsu Co., Ltd. (Japan) | 2013.10.07~2015.10.06 (Automatic extension) | Ceramic brush sales agent | Restricted to:Taiwan, China |
| Sales Agency | Suzhou Maxwell Technologies Co.,Ltd. | 2016.06.01~2018.05.31 (Automatic extension) | Solar Screen Printing Line Sales Agency | Restricted to:：Taiwan, China |
| Sales Agency | Nidec-Read Corporation (Japan) | 2017.10.19~2019.10.18 (Automatic extension) | High density substrate testing machine sales agent | Restricted to:Taiwan, China |
| Sales Agency | Philoptics Co., Ltd. (South Korea) | 2015.10.22~2017.10.21 (Automatic extension) | RTR exposure machine an d lamination machine sales agent | Restricted to:Taiwan, China |
| Sales Agency | Rorze Technology Incorporated (Taiwan) | 2009.11.25~2011.11.24 (Automatic extension) | Japan automatic wafer transfer machine sales agent | Restricted to:Taiwan, Hong Kong, China |

| | | | | |
|---|---|---|---|---|
| Sales Agency | SIKAMA International, Inc. (USA) | 2004.06.04~Indefinite Date | Wafer bump reflow oven sales agent | Restricted to:Taiwan, China |
| Sales Agency | Technopro Marugen Co., Ltd. (Japan) | 2014.02.25~2017.02.24 (Automatic extension) | Brush mill and belt mill sales agent | Restricted to:Taiwan, China |
| Sales | WKKJ (Japan) | 2007.01.01~2009.12.31 (Automatic extension) | testing machine and other products sales agent | Restricted to:Taiwan, China |
| Sales Agency | YKT Corporation (Japan) | 2016.04.22~2018.04.21 (Automatic extension) | Distributor of Panasonic Laminating Machine | Restricted to:Taiwan, China |
| Sales Agency | Yxlon International GmbH (Germany) | 2009.04.01~2011.03.31 (Automatic extension) | X-ray equipment sales agent | Restricted to:Taiwan, Taiwanese companies in China |

# VI. Overview of the Company's Finacial Status

## 1. Financial Summary for The Last Five Years:

### A. Consolidated Condensed Balance Sheet

Consolidated Condensed Balance Sheet

Unit: NT$ thousands

| Item \ Year | | Financial Summary for The Last Five Years（Note 1） | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 3) |
| Current assets | | 834,670 | 730,772 | 752,592 | 782,697 | 1,012,451 | 1,062,675 |
| Available-for-sale financial assets-non current | | 17,760 | 13,843 | - | - | - | - |
| Financial assets measured at cost- non current | | 50,222 | 47,457 | - | - | - | - |
| Gain from financial assets at fair value through profit/loss- non current | | - | - | 14,123 | 22,567 | 15,758 | 12,673 |
| Gain from financial assets at fair value through other comprehensive income- non current | | - | - | 37,313 | 30,072 | 25,411 | 28,190 |
| Property, Plant and Equipment（Note 2） | | 262,451 | 247,849 | 222,188 | 245,729 | 229,677 | 230,439 |
| Right-of-use asset | | - | - | - | 3,880 | 1,017 | 764 |
| Net investment in capital assets | | 4,277 | 4,236 | 4,194 | - | - | - |
| Intangible assets | | 2,489 | 4,228 | 3,555 | 2,104 | 3,410 | 3,058 |
| Other assets | | 21,020 | 25,477 | 31,163 | 28,111 | 32,067 | 26,756 |
| Total assets | | 1,192,889 | 1,073,862 | 1,065,128 | 1,115,160 | 1,319,791 | 1,364,555 |
| Current liabilities | Before distribution | 222,558 | 164,947 | 219,539 | 250,780 | 345,348 | 343,458 |
| | After distribution | 288,604 | 184,906 | 266,715 | 308,842 | - | - |
| Long-term and other liabilities | | 30,632 | 33,373 | 30,898 | 36,831 | 34,609 | 33,747 |
| Total liabilities | Before distribution | 253,190 | 198,320 | 250,437 | 287,611 | 379,957 | 377,205 |
| | After distribution | 319,236 | 218,279 | 297,613 | 345,673 | - | - |
| Interests attributable to parent company owner | | 839,212 | 783,026 | 814,265 | 827,319 | 939,154 | 985,882 |

| Item \ Year | | Financial Summary for The Last Five Years（Note 1） | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 3) |
| Capital stock | | 362,888 | 362,888 | 362,888 | 362,888 | 362,888 | 362,888 |
| Capital surplus | | 49,699 | 49,699 | 46,759 | 46,759 | 46,759 | 46,759 |
| Retained earnings | Before distribution | 426,205 | 382,136 | 428,586 | 455,917 | 573,474 | 616,639 |
| | After distribution | 360,159 | 362,177 | 381,410 | 397,855 | - | - |
| Other Interests | | 420 | (11,697) | (23,968) | (38,245) | (43,967) | (40,404) |
| Treasury stock | | - | - | - | - | - | - |
| Non-controlling interests | | 100,487 | 92,516 | 426 | 230 | 680 | 1,468 |
| Total equity | Before distribution | 939,699 | 875,542 | 814,691 | 827,549 | 939,834 | 987,350 |
| | After distribution | 873,653 | 855,583 | 767,515 | 769,487 | - | - |

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.
Note 2: Those who have applied for asset revaluation in the current fiscal year shall list the date of processing and the revaluated amount.
Note 3: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.
Note 4: The above are financial information after allocation, please fill in the information according to the next year’s resolution of the shareholders meeting.
Note 5: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

# Consolidated Condensed Income Statement

Unit: NT$ thousands

| Item \ Year | Financial Summary for The Last Five Years（Note 1） | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 2) |
| Operating revenue | 908,474 | 789,602 | 1,136,575 | 1,154,228 | 1,386,400 | 403,197 |
| Gross profit | 359,831 | 276,881 | 335,166 | 340,945 | 498,723 | 130,776 |
| Income from operations | 92,507 | 20,437 | 59,969 | 66,663 | 202,971 | 64,398 |
| Non-operating income and expenses | 10,077 | 11,697 | 15,650 | 32,486 | 7,151 | (13,512) |
| Income before tax | 102,584 | 32,134 | 75,619 | 99,149 | 210,122 | 50,886 |
| Net income of continuing business units | 80,195 | 26,108 | 57,059 | 76,202 | 176,641 | 43,953 |
| Loss of suspended business unit | - | - | - | - | - | - |
| Net income (Loss) | 80,195 | 26,108 | 57,059 | 76,202 | 176,641 | 43,953 |
| Other comprehensive income (income after tax) | (3,727) | (15,113) | (4,229) | (16,212) | (6,294) | 3,563 |
| Total comprehensive income | 76,468 | 10,995 | 52,830 | 59,990 | 170,347 | 47,516 |
| Net income attributable to shareholders of the parent | 73,671 | 24,496 | 59,165 | 76,441 | 176,191 | 43,165 |
| Net income attributable to non-controlling interest | 6,524 | 1,612 | (2,106) | (239) | 450 | 788 |
| Comprehensive income attributable to Shareholders of the parent | 72,037 | 9,860 | 53,916 | 60,229 | 169,897 | 46,728 |
| Comprehensive income attributable to non-controlling interest | 4,431 | 1,135 | (1,086) | (239) | 450 | 788 |
| Earnings per share | 2.03 | 0.68 | 1.63 | 2.11 | 4.86 | 1.19 |

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.
Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.
Note 3: Loss of suspended business unit is listed as the net amount after the deduction of income tax.
Note 4: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

## Concise Individual Balance Sheet

Unit: NT$ thousands

| Item \ Year | | Financial Summary for The Last Five Years (Note 1) 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 3) |
|---|---|---|---|---|---|---|---|
| Current assets | | 532,013 | 456,584 | 518,479 | 528,834 | 664,749 | Not Applicable |
| Available-for-sale financial assets-non current | | 17,760 | 13,843 | - | - | - | |
| Financial assets measured at cost- non current | | 30,000 | 30,000 | - | - | - | |
| Gain from financial assets at fair value through profit/loss- non current | | - | - | 14,123 | 22,567 | 15,758 | |
| Gain from financial assets at fair value through other comprehensive income-non current | | - | - | 18,400 | 25,279 | 20,724 | |
| Property, Plant and Equipment (Note 2) | | 280,005 | 254,964 | 293,829 | 256,645 | 301,109 | |
| Net investment in capital assets | | 164,314 | 160,575 | 146,709 | 179,068 | 173,849 | |
| Current assets | | 19,847 | 19,632 | 19,418 | 13,034 | 12,877 | |
| Intangible assets | | 899 | 1,755 | 2,222 | 1,583 | 2,116 | |
| Other assets | | 18,412 | 23,139 | 27,800 | 26,493 | 30,507 | |
| Total assets | | 1,063,250 | 960,492 | 1,040,980 | 1,053,503 | 1,221,689 | |
| Current liabilities | Before distribution | 194,167 | 145,202 | 197,037 | 191,327 | 248,491 | |
| | After distribution | 260,213 | 165,161 | 244,213 | 249,389 | - | |
| Long-term and other liabilities | | 29,871 | 32,264 | 29,678 | 34,857 | 34,044 | |
| Total liabilities | Before distribution | 224,038 | 177,466 | 226,715 | 226,184 | 282,535 | |
| | After distribution | 290,084 | 197,425 | 273,891 | 284,246 | - | |
| Interests attributable to parent company owner | | - | - | - | - | - | |
| Capital stock | | 362,888 | 362,888 | 362,888 | 362,888 | 362,888 | |
| Capital surplus | | 49,699 | 49,699 | 46,759 | 46,759 | 46,759 | |

| Item \ Year | | Financial Summary for The Last Five Years (Note 1) | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 3) |
| Retained earnings | Before distribution | 426,205 | 382,136 | 428,586 | 455,917 | 573,474 | |
| | After distribution | 360,159 | 362,177 | 381,410 | 397,855 | - | |
| Other Interests | | 420 | (11,697) | (23,968) | (38,245) | (43,967) | |
| Treasury stock | | - | - | - | - | - | |
| Non-controlling interests | | - | - | - | - | - | |
| Total equity | Before distribution | 839,212 | 783,026 | 814,265 | 827,319 | 939,154 | |
| | After distribution | 773,166 | 763,067 | 767,089 | 769,257 | - | |

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.
Note 2: Those who have applied for asset revaluation in the current fiscal year shall list the date of processing and the revaluated amount.
Note 3: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.
Note 4: The above are financial information after allocation, please fill in the information according to the next year’s resolution of the shareholders meeting.
Note 5: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

## Concise Individual Income Statement

Unit: NT$ thousands

| Item \ Year | Financial Summary for The Last Five Years（Note 1） | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 2) |
| Operating revenue | 827,829 | 625,817 | 856,148 | 949,215 | 1,024,853 | Not Applicable |
| Gross profit | 260,086 | 199,741 | 264,582 | 260,594 | 360,867 | |
| Income from operations | 81,156 | 30,917 | 81,153 | 77,141 | 155,980 | |
| Non-operating income and expenses | 8,749 | (1,626) | (6,304) | 20,477 | 50,610 | |
| Income before tax | 89,905 | 29,291 | 74,849 | 97,618 | 206,590 | |
| Net income of continuing business units | 73,671 | 24,496 | 59,165 | 76,441 | 176,191 | |
| Loss of suspended business unit | - | - | - | - | - | |
| Net income (Loss) | 73,671 | 24,496 | 59,165 | 76,441 | 176,191 | |
| Other comprehensive income (income after tax) | (1,634) | (14,636) | (5,249) | (16,212) | (6,294) | |
| Total comprehensive income | 72,037 | 9,860 | 53,916 | 60,229 | 169,897 | |
| Net income attributable to shareholders of the parent | - | - | - | - | - | |
| Net income attributable to non-controlling interest | - | - | - | - | - | |
| Comprehensive income attributable to Shareholders of the parent | - | - | - | - | - | |
| Comprehensive income attributable to non-controlling interest | - | - | - | - | - | |
| Earnings per share | 2.03 | 0.68 | 1.63 | 2.11 | 4.86 | |

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.
Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.
Note 3: Loss of suspended business unit is listed as the net amount after the deduction of income tax.
Note 4: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

B. Auditors’ Opinions from 2015 to 2019

| Year | Accounting Firm | CPA | Audit Opinion |
|---|---|---|---|
| 2016 | CPA FU WEN-FANG<br>CPA LIN LI-HUANG | Ernst & Young | Modified unqualified audit opinion |
| 2017 (Note) | CPA HSU JUNG-HUANG<br>CPA LIN LI-HUANG | Ernst & Young | Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities. |
| 2018 | CPA HSU JUNG-HUANG<br>CPA LIN LI-HUANG | Ernst & Young | Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities. |
| 2019 | CPA HSU JUNG-HUANG<br>CPA CHANG CHIH-MING | Ernst & Young | Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities. |
| 2020 (Note) | CPA CHANG CHIH-MING<br>CPA HSU JUNG-HUANG | Ernst & Young | Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities. |

Note：There is a replacement on accountants due to the adjustment of Ernst & Young's internal organization.

## 2. Financial analysis for the past 5 fiscal years

### A. Consolidated Financial Analysis – Based on IFRS

| Item (Note 3) | Year (Note 1) | Financial Analysis for the Last Five Years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 2) |
| Financial structure (%) | Debt Ratio | 21.22 | 18.47 | 23.51 | 25.79 | 28.79 | 27.64 |
| | Ratio of long-term capital to property, plant and equipment | 358.05 | 353.26 | 366.66 | 336.77 | 409.20 | 428.46 |
| Solvency (%) | Current ratio | 375.03 | 443.03 | 342.80 | 312.11 | 293.17 | 309.40 |
| | Quick ratio | 336.11 | 391.66 | 311.89 | 270.57 | 259.22 | 280.47 |
| | Interest earned ratio (times) | - | - | - | 277.02 | 1621.28 | 8310.26 |
| Operating performance | Accounts receivable turnover (times) | 4.64 | 4.54 | 6.73 | 6.29 | 7.88 | 7.14 |
| | Average collection period | 78.66 | 80.40 | 54.23 | 58.03 | 46.32 | 51.12 |
| | Inventory turnover (times) | 8.14 | 7.83 | 14.26 | 13.49 | 11.51 | 13.87 |
| | Accounts payable turnover (times) | 4.88 | 5.25 | 8.98 | 7.24 | 6.84 | 6.92 |
| | Average days in sales | 44.84 | 46.62 | 25.59 | 27.06 | 31.71 | 26.32 |
| | Property, plant and equipment turnover (times) | 3.46 | 3.19 | 5.11 | 4.70 | 5.83 | 7.01 |
| | Total assets turnover (times) | 0.76 | 0.74 | 1.06 | 1.04 | 1.14 | 1.20 |
| Profitability | Return on total assets (%) | 6.56 | 2.30 | 5.33 | 7.01 | 14.52 | 13.10 |
| | Return on stockholders' equity (%) | 8.44 | 2.88 | 6.75 | 9.28 | 19.99 | 18.25 |
| | Pre-tax income to paid-in capital (%)(Note 7) | 28.27 | 8.86 | 20.83 | 27.32 | 57.90 | 56.09 |
| | Profit ratio (%) | 8.83 | 3.31 | 5.02 | 6.60 | 12.74 | 10.90 |

| Item (Note 3) \ Year (Note 1) | | Financial Analysis for the Last Five Years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 2) |
| | Earnings per share (NT$) | 2.03 | 0.68 | 1.63 | 2.11 | 4.86 | 1.19 |
| Cash flow | Cash flow ratio (%) | 10.47 | 37.02 | 43.50 | 44.15 | 73.83 | (4.03) |
| | Cash flow adequacy ratio (%) | 75.44 | 81.52 | 91.56 | 108.74 | 122.62 | 169.74 |
| | Cash reinvestment ratio (%) | (9.29) | (0.78) | 12.68 | 10.78 | 16.23 | (1.09) |
| Leverage | Operating leverage | 9.82 | 37.60 | 18.62 | 17.03 | 6.78 | 6.23 |
| | Financial leverage | 1.00 | 1.00 | 1.00 | 1.01 | 1.00 | 1.00 |

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

| Item | Dec 31, 2019 | Dec 31, 2020 | Diff % | Reasons for difference |
|---|---|---|---|---|
| Gross profit margin | 29.54 | 35.97 | 21.77 | Did not meet the criteria for analysis. |
| Inventory turnover | 13.49 | 11.51 | (14.68) | Did not meet the criteria for analysis. |
| Accounts receivable turnover | 6.29 | 7.88 | 25.28 | Did not meet the criteria for analysis. |

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

B. Individual Financial Analysis – Based on IFRS

| Item (Note 3) \ Year (Note 1) | | Financial Analysis for the Past Five Years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | For Year Ending Mar. 31, 2021 (Note 2) |
| Financial structure (%) | Debt Ratio | 21.07 | 18.48 | 21.77 | 21.47 | 23.13 | Not Applicable |
| | Ratio of long-term capital to fixed assets | 510.74 | 487.64 | 555.01 | 462.02 | 540.21 | |
| Solvency (%) | Current ratio | 274.00 | 314.45 | 263.13 | 276.40 | 267.51 | |
| | Quick ratio | 253.78 | 280.02 | 242.64 | 246.42 | 246.98 | |
| | Interest earned ratio (times) | - | - | - | 2,427.69 | - | |
| Operating performance | Accounts receivable turnover (times) | 5.19 | 4.12 | 6.06 | 5.99 | 6.68 | |
| | Average collection period | 70.33 | 88.59 | 60.23 | 60.93 | 54.64 | |
| | Inventory turnover (times) | 21.87 | 16.45 | 27.29 | 28.50 | 25.19 | |
| | Accounts payable turnover (times) | 4.78 | 4.12 | 6.36 | 6.70 | 6.07 | |
| | Average days in sales | 16.69 | 22.19 | 13.37 | 12.81 | 14.49 | |
| | Fixed assets turnover (times) | 5.04 | 3.90 | 5.83 | 5.30 | 5.81 | |
| | Total assets turnover (times) | 0.78 | 0.65 | 0.82 | 0.90 | 0.90 | |
| Profitability | Return on total assets (%) | 6.81 | 2.42 | 5.91 | 7.30 | 15.49 | |
| | Return on stockholders' equity (%) | 8.70 | 3.02 | 7.40 | 9.31 | 19.95 | |
| | Ratio to issued capital (%) (Note 7) | 24.77 | 8.07 | 20.62 | 26.90 | 56.93 | |
| | Profit ratio (%) | 8.9 | 3.91 | 6.91 | 8.05 | 17.19 | |

<table>
<tr><th colspan="2">Item (Note 3) \ Year (Note 1)</th><th colspan="6">Financial Analysis for the Past Five Years</th></tr>
<tr><th colspan="2"></th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>For Year Ending Mar. 31, 2021 (Note 2)</th></tr>
<tr><td></td><td>Earnings per share (NT$)</td><td>2.03</td><td>0.68</td><td>1.63</td><td>2.11</td><td>4.86</td><td rowspan="7"></td></tr>
<tr><td rowspan="3">Cash flow</td><td>Cash flow ratio (%)</td><td>6.61</td><td>47.79</td><td>49.84</td><td>49.62</td><td>76.50</td></tr>
<tr><td>Cash flow adequacy ratio (%)</td><td>75.95</td><td>76.17</td><td>77.56</td><td>96.88</td><td>104.25</td></tr>
<tr><td>Cash reinvestment ratio (%)</td><td>(11.07)</td><td>0.54</td><td>11.90</td><td>7.39</td><td>12.27</td></tr>
<tr><td rowspan="2">Leverage</td><td>Operating leverage</td><td>10.15</td><td>20.11</td><td>10.49</td><td>12.25</td><td>6.55</td></tr>
<tr><td>Financial leverage</td><td>1.00</td><td>1.00</td><td>1.00</td><td>1.00</td><td>1.00</td></tr>
<tr><td></td><td colspan="6">Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</td></tr>
</table>

| Item | Dec 31, 2019 | Dec 31, 2020 | Diff % | Reasons for difference |
|---|---|---|---|---|
| Gross profit margin | 27.45 | 35.21 | 28.27 | Did not meet the criteria for analysis. |
| Inventory turnover | 28.50 | 25.19 | (11.61) | Did not meet the criteria for analysis. |
| Accounts receivable turnover | 5.99 | 6.68 | 11.52 | Did not meet the criteria for analysis. |

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: The financial information for the most recent year up to the previous quarter of the date of publication of the annual report for companies that are listed or whose stocks have been traded in the OTC markets shall be incorporate into the analysis.

Note 3: The formula is as follows:

1. Financial structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = Net Income / Average Shareholders' Equity

(3) Net Margin = Net Income / Net Sales

(4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 4)

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)(Note 5)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6)

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: The calculation of the earnings per share of the preceding paragraph shall pay special attention to the following:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half-year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5: Cash flow analysis should pay special attention to the following:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in

the cash flow statement.

2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Net plant property and equipment means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variable. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 7: If the Company's shares are no par or not in the denomination of NT $ 10, the calculation of the ratio of the paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

3. Supervisors' report for the most recent year's financial statement

# Taiwan Kong King Co., Ltd.

## Supervisors' Review Report

The Board of Directors made the 2020 consolidated and individual Financial Statements of the Company. It has been verified by Ernst & Young accountants Chang, Chih-Ming and Hsh, Jung-Huang together with the business report and earnings distribution. It is considered that there is no disagreement, and in accordance with the provisions of Article 219 of the Company Act made a report to review.

To

2021 Annual Shareholders' Meeting

Taiwan Kong King Co. ,Ltd.

Supervisor: Wu, Guo-Xian

Supervisor: Cai, Zhi-Wei

Supervisor: Chou, Ken

March 24, 2021

4. A parent company only financial statement for the most recent fiscal year, certified by a CPA.

EY 安永
Building a better working world

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**Independent Auditors' Report Translated from Chinese**

To TAIWAN KONG KING CO., LTD.

**Opinion**

We have audited the accompanying consolidated balance sheets of TAIWAN KONG KING CO., LTD and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of a Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company and its subsidiaries amounted to NT$180,920 thousand and NT$449 thousand as of December 31, 2020, respectively. The net amount of accounts receivables was approximately 14% of total assets and which is significant to the Company. Considering the assessment of allowance for impairment losses is measured by lifetime expected credit loss; the process of measurement must appropriately divide accounts receivables into groups, determine and analyze the use of relevant assumptions in the process of measurement, including appropriate aging intervals, the aging loss rate for each interval and the use of forward-looking information, that reflected the measurement of the expected credit loss involving judgment, analysis and estimates, and the result of measurement affect the net amount of accounts receivables, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding and evaluating whether the internal control is appropriate; when performing internal control, randomly selecting sales orders and vouching them to aging schedule to ensure the accuracy of aging intervals of accounts receivables; confirming whether the customer properly grouped by significantly different loss types and evaluating the reasonableness of management's estimates of assumptions; testing provision matrix, including evaluating the appropriateness of aging intervals and the accuracy of raw data by vouching them to supporting evidences, testing statistical information for the credit loss rate computed by roll rate over a one-year period, considering the reasonableness of forward-looking information used on the credit loss rate, and evaluating whether such forward-looking information would affect credit loss rate. In addition, performing the analytical review procedure to identify whether any material unusual fluctuations between the two-period of accounts receivables turnover exist. Also, reviewing the collections of accounts receivables during the subsequent period for customers with material period-end balances.

We also assessed the adequacy of disclosures of accounts receivables. Please refer to Note 5, 6 and 12 to the Company's consolidated financial statements.

Valuation of inventories

Net inventories by the Company and its subsidiaries amounted to NT$85,237 thousand, was approximately 7% of total assets as of December 31, 2020 and which is significant to the Company. Considering the possibility of impairment of the inventory driven by economic conditions, the industry competition, and the unexpected decrease of total sales, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding the internal control of management's inventory valuation process. When performing internal control, sampling purchase orders and vouching them to supporting evidences to ensure the inventory aging and the calculation of write-downs from slow-moving inventories are accurate and reasonable; performing the analytical review procedure to assess whether any material unusual fluctuation of ending balances, inventory turnover and gross margin per product between the year ended December 31, 2020 and the prior year exists; sampling sales orders and purchase orders to verify the calculation of allowance for inventory valuation losses to evaluate whether the valuation of inventories is appropriate.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 4, 5 and 6 to the Company's consolidated financial statement.

**Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These assets of NT$158,571 thousand and NT$132,797 thousand, constituting 12% of consolidated total assets as of both December 31, 2020 and 2019. The operating revenues from the subsidiaries amounted to NT$61,692 thousand and NT$41,789 thousand, constituting 4% of consolidated operating revenues for the years ended December 31, 2020 and 2019.

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

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

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

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

**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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. 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 Company and its subsidiaries to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements 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.

**Other**

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019.

HSU, JUNG-HUANG

CHANG, CHIH-MING

Ernst & Young, Taipei, Taiwan

March 24, 2020

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | | As of December 31, | |
|---|---|---|---|
| | NOTES | 2020 | 2019 |
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4,6&12 | $710,147 | $505,967 |
| Notes receivable, net | 4,6&12 | 1,348 | 2,856 |
| Accounts receivable, net | 4,6&12 | 179,640 | 166,284 |
| Accounts receivable from related parties, net | 4,6&12 | 831 | - |
| Other receivables | 12 | 3,256 | 3,431 |
| Inventories, net | 4&6 | 85,237 | 69,016 |
| Prepayments | | 28,806 | 32,428 |
| Other current assets | | 3,186 | 2,715 |
| Total Current Assets | | 1,012,451 | 782,697 |
| NON-CURRENT ASSETS | | | |
| Financial assets at fair value through profit or loss, noncurrent | 4,6&12 | 15,758 | 22,567 |
| Financial assets at fair value through other comprehensive income, noncurrent | 4,6&12 | 25,411 | 30,072 |
| Property, plant and equipment | 4&6 | 229,677 | 245,729 |
| Right-of-use asset | 4&6 | 1,017 | 3,880 |
| Intangible assets | 4&6 | 3,410 | 2,104 |
| Deferred tax assets | 4&6 | 27,551 | 23,344 |
| Other noncurrent assets | 4&12 | 4,516 | 4,767 |
| Total Non-Current Assets | | 307,340 | 332,463 |
| TOTAL ASSETS | | $1,319,791 | $1,115,160 |

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | | As of December 31, | |
|---|---|---|---|
| | NOTES | 2020 | 2019 |
| **LIABILITIES AND EQUITY** | | | |
| CURRENT LIABILITIES | | | |
| Contract liabilities, current | 6 | $65,470 | $44,594 |
| Notes payable | 12 | 24 | 16 |
| Accounts payable | 12 | 137,455 | 114,462 |
| Accounts payable-related parties, net | 7&12 | 6,838 | 921 |
| Other payables | 12 | 106,459 | 76,208 |
| Other payables-related parties | 7 | 159 | 3,042 |
| Current tax liabilities | 4 | 27,598 | 8,240 |
| Lease liabilities, current | 4&6 | 1,039 | 2,825 |
| Other current liabilities | | 306 | 472 |
| Total Current Liabilities | | 345,348 | 250,780 |
| NON-CURRENT LIABILITIES | | | |
| Non-current provisions | 4&6 | 32,154 | 31,944 |
| Deferred tax liabilities | 4&6 | 2,455 | 3,776 |
| Lease liabilities, noncurrent | 4&6 | - | 1,111 |
| Total Non-Current Liabilities | | 34,609 | 36,831 |
| TOTAL LIABILITIES | | 379,957 | 287,611 |
| EQUITY ATTRIBUTABLE TO THE PARENT COMPANY | | | |
| Capital | 6 | | |
| Common stock | | 362,888 | 362,888 |
| Total Capital stock | | 362,888 | 362,888 |
| Additional paid-in capital | 6 | 46,759 | 46,759 |
| Retained earnings | | | |
| Legal reserve | | 264,613 | 257,163 |
| Special reserve | | 38,245 | 23,968 |
| Unappropriated earnings | | 270,616 | 174,786 |
| Total Retained earnings | | 573,474 | 455,917 |
| Other components of equity | | (43,967) | (38,245) |
| NON-CONTROLLING INTERESTS | 6 | 680 | 230 |
| TOTAL EQUITY | | 939,834 | 827,549 |
| TOTAL LIABILITIES AND EQUITY | | $1,319,791 | $1,115,160 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| ITEM | NOTES | For the years ended December 31, 2020 | 2019 |
|---|---|---|---|
| OPERATING REVENUES | 4,6&7 | $1,386,400 | $1,154,228 |
| COST OF GOODS SOLD | 4&7 | (887,677) | (813,283) |
| GROSS PROFIT | | 498,723 | 340,945 |
| OPERATING EXPENSES | 4&7 | | |
| Sales and marketing expense | | (152,626) | (137,567) |
| General and administrative expense | | (138,622) | (131,234) |
| Research and development expenses | | (4,504) | (5,481) |
| Total Operating Expense | | (295,752) | (274,282) |
| OPERATING INCOME | | 202,971 | 66,663 |
| NON-OPERATING INCOME AND EXPENSES | | | |
| Interest income | 6 | 2,900 | 5,352 |
| Other income | 6 | 3,425 | 8,207 |
| Other gains and losses | 6 | 956 | 19,286 |
| Financial cost | 6 | (130) | (359) |
| Subtotal | | 7,151 | 32,486 |
| INCOME BEFORE INCOME TAX | | 210,122 | 99,149 |
| INCOME TAX EXPENSE | 4&6 | (33,481) | (22,947) |
| PROFIT FROM CONTINUING OPERATIONS | | 176,641 | 76,202 |
| NET INCOME | | 176,641 | 76,202 |
| OTHER COMPREHENSIVE (LOSS) INCOME | 6 | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of defined benefit pension plans | | (715) | (2,419) |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | | (4,363) | (12,820) |
| Income tax related to items that will not be reclassified subsequently | | 1,016 | 3,048 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (2,232) | (4,021) |
| TOTAL OTHER COMPREHENSIVE (LOSS) INCOME | | (6,294) | (16,212) |
| TOTAL COMPREHENSIVE INCOME | | $170,347 | $59,990 |
| NET INCOME ATTRIBUTABLE TO: | | | |
| Stockholders of the parent | | 176,191 | 76,441 |
| Non-controlling interests | | 450 | (239) |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Stockholders of the parent | | 169,897 | 60,229 |
| Non-controlling interests | | 450 | (239) |
| Earnings per share (NTD) | | | |
| Basic earnings per share | 6 | | |
| Basic earnings (loss) per share from continuing operations | | 4.86 | 2.11 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | Equity Attributable to the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | Other components of equity | | | | |
| | Capital | Additional paid-in capital | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of foreign operations | Unrealized gains or losses on financial assets measured at fair value through other comprehensive income | Total | Non-Controlling Interests | Total Equity |
| Balance as of January 1, 2019 | $362,888 | $46,759 | $251,247 | $11,697 | $165,642 | $(16,507) | $(7,461) | $814,265 | $426 | $814,691 |
| Impact of retroactive applications | - | - | - | - | - | - | - | - | | - |
| Adjusted balance as of January 1, 2019 | 362,888 | 46,759 | 251,247 | 11,697 | 165,642 | (16,507) | (7,461) | 814,265 | 426 | 814,691 |
| Appropriation and distribution of 2018 retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 5,916 | - | (5,916) | - | - | - | - | - |
| Special reserve | - | - | - | 12,271 | (12,271) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (47,175) | - | - | (47,175) | - | (47,175) |
| Other changes in capital surplus: | | | | | | | | | | |
| Difference between consideration and carrying amount of subsidiaries acquired | - | - | - | - | - | - | - | - | - | - |
| Net income for the year ended December 31, 2019 | - | - | - | - | 76,441 | - | - | 76,441 | (239) | 76,202 |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | (1,935) | (4,021) | (10,256) | (16,212) | - | (16,212) |
| Total comprehensive income | - | - | - | - | 74,506 | (4,021) | (10,256) | 60,229 | (239) | 59,990 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | 43 | 43 |
| Balance as of December 31, 2019 | $362,888 | $46,759 | $257,163 | $23,968 | $174,786 | $(20,528) | $(17,717) | $827,319 | $230 | $827,549 |
| Balance as of January 1, 2020 | $362,888 | $46,759 | $257,163 | $23,968 | $174,786 | $(20,528) | $(17,717) | $827,319 | $230 | $827,549 |
| Impact of retroactive applications | - | - | - | - | - | - | - | - | - | - |
| Adjusted balance as of January 1, 2019 | 362,888 | 46,759 | 257,163 | 23,968 | 174,786 | (20,528) | (17,717) | 827,319 | 230 | 827,549 |
| Appropriation and distribution of 2018 retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 7,450 | - | (7,450) | - | - | - | - | - |
| Special reserve | - | - | - | 14,277 | (14,277) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (58,062) | - | - | (58,062) | - | (58,062) |
| Other changes in capital surplus: | | | | | | | | | | |
| Difference between consideration and carrying amount of subsidiaries acquired | - | | - | - | - | - | - | - | - | - |
| Net income for the year ended December 31, 2020 | - | - | - | - | 176,191 | - | - | 176,191 | 450 | 176,641 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | (572) | (2,232) | (3,490) | (6,294) | - | (6,294) |
| Total comprehensive income | - | - | - | - | 175,619 | (2,232) | (3,490) | 169,897 | 450 | 170,347 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - |
| Balance as of December 31, 2020 | $362,888 | $46,759 | $264,613 | $38,245 | $270,616 | $(22,760) | $(21,207) | $939,154 | $680 | $939,834 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

# TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| ITEM | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income before tax | $210,122 | $99,149 |
| Adjustments to reconcile net income before tax to net cash provided by operating activities: | | |
| Depreciation expense | 23,798 | 26,163 |
| Amortization expense | 2,195 | 2,515 |
| Net loss on financial assets or liabilities at fair value through profit or loss | 6,809 | (22,026) |
| Interest expense | 130 | 359 |
| Interest income | (2,900) | (5,352) |
| Dividend income | (1,328) | (4,773) |
| Loss on lease modification | 22 | - |
| Gain on disposal of property, plant and equipment | (18,471) | (123) |
| Gain on disposal of intangible assets | (1,925) | - |
| Total adjustments to reconcile profit (loss) | 8,330 | (3,237) |
| Changes in operating assets and labilities: | | |
| Notes receivable | 1,508 | 4,433 |
| Accounts receivable | (13,356) | 24,407 |
| Accounts receivable from related parties | (831) | - |
| Other receivable | (12) | (2,217) |
| Inventories | (16,221) | (17,461) |
| Prepayments | 3,622 | (19,764) |
| Other current assets | (471) | 915 |
| Other noncurrent assets | 8 | - |
| Contract liabilities | 20,876 | 28,286 |
| Notes payable | 8 | - |
| Accounts payable | 22,993 | 12,693 |
| Accounts payable-related parties | 5,917 | (6,515) |
| Other payable | 30,251 | 4,724 |
| Other payable-related parties | (2,883) | 2,921 |
| Other current liabilities | (166) | (509) |
| Provisions | (362) | (70) |
| Total changes in operating assets and liabilities | 50,881 | 31,843 |
| Cash generated from operations | 269,333 | 127,755 |
| Interest received | 3,087 | 6,907 |
| Dividends received | 1,328 | 4,773 |
| Interest expense paid | (130) | (169) |
| Income taxes paid | (18,635) | (28,557) |
| Net cash flows from operating activities | 254,983 | 110,709 |

| ITEM | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | (5,567) |
| Disposal of financial assets at fair value through profit or loss | - | 13,581 |
| Acquisition of property, plant and equipment | (9,951) | (42,875) |
| Disposal of property, plant and equipment | 23,525 | 226 |
| Acquisition of intangible assets | (3,820) | (1,066) |
| Disposal of intangible assets | 2,250 | - |
| Decrease in refundable deposits | 243 | 6,501 |
| Net cash used in investing activities | 12,247 | (29,200) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Decrease in receivable deposit | - | (24) |
| Repayment of lease principal | (2,383) | (3,606) |
| Cash dividends paid | (58,062) | (47,175) |
| Net cash used in financing activities | (60,445) | (50,805) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (2,605) | (3,251) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 204,180 | 27,453 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 505,967 | 478,514 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $710,147 | $505,967 |

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

## 1. HISTORY AND ORGANIZATION

Taiwan Kong King Co., Limited ("the Company") was incorporated commenced operations on June 14, 1977. The Company trades high-end technology equipment, sells raw materials, and provides customer services as an agent. The Company's registered office and the main business location is at 5F.-1, No.66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.). Wong's Kong King International (Holdings) Limited is the Company's parent and the ultimate controlling entity of the Company.

## 2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized for issued by the Company's Board of Directors' meeting on March 24, 2021.

## 3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2020. The adoption of these new standards and amendments had no material impact on the Group except below:

(a) Covid-19-Related Rent Concessions (Amendment to IFRS 16)
The Group elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after 1 January 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

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

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

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

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

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

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

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

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

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

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

(b) IFRS 17 "Insurance Contracts"

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

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

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

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

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

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

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

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

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

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

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

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

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

(f) Definition of Accounting Estimates – Amendments to IAS 8

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (6), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and TIFRS as endorsed by the FSC.

(2) 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. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

| | | | Percentage of ownership (%) | |
|---|---|---|---|---|
| Investor | Subsidiary | Main businesses | December 31, 2020 | December 31, 2019 |
| The Company | Hong Kong Taiwan Kong King Limited | Trading | 99.99% | 99.99% |
| The Company | Headway Holdings Limited | Investment holding | 100.00% | 100.00% |
| The Company | TKK Precision Co., Ltd. | Manufacturing | 100.00% | 100.00% |
| The Company | THT Technology Co., Ltd. | Manufacturing | 94.50% | 94.50% |
| Hong Kong Taiwan Kong King Limited | The Kong King Technology (Suzhou) Co., Ltd. | Trading | 100.00% | 100.00% |
| Headway Holdings Limited | Hiking International Co., Ltd. | Investment holding | 100.00% | 100.00% |
| Hiking International Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | Manufacturing | 100.00% | 100.00% |

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT$"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

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

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

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

(a) Financial instruments: recognition and measurement

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

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

A. the Group's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

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

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

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

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

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

<u>Financial asset measured at fair value through other comprehensive income</u>

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

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

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

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

    I. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    II. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

(b) Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2020: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(d) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

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

<u>Equity instruments</u>

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

<u>Financial liabilities</u>

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

<u>Financial liabilities at amortized cost</u>

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(9) Fair value measurement

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

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(10) Inventories

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

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

Raw materials – Purchase cost on a weighted-average-method basis

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

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

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

(11) Property, plant and equipment

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

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

| | |
|---|---|
| Buildings | 4～56 years |
| Machinery and equipment | 3～10 years |
| Transportation equipment | 4～6 years |
| Office equipment | 3～6 years |
| Leasehold improvements | 3～5 years |

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

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

(12) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

(14) Intangible Assets

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

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

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

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

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

Computer software

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

A summary of the policies applied to the Group’s intangible assets is as follows:

| | Computer software |
|---|---|
| Useful lives | Finite |
| Amortization method used | Amortized on a straight-line basis over the estimated useful life |
| Internally generated or acquired | Acquired |

(15) Impairment of non-financial assets

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

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

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

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

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

<u>Provision for decommissioning, restoration and rehabilitation costs</u>

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is high-end machinery and revenue is recognized based on the consideration stated in the contract.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

The Group provides maintenance services for the sale of high-end machinery. Such services are separately priced or negotiated, provided based on the numbers of operation. Accordingly, the Group recognized revenues when the Group satisfied a performance obligation at a point in time.

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

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

(19) Income taxes

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

Current income tax

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

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

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

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

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. <u>SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS</u>

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

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

<u>Operating lease commitment－Group as the lessor</u>

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Accounts receivables–estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

## 6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Cash on hand | $821 | $818 |
| Checking and savings accounts | 602,560 | 379,069 |
| Time deposits | 106,766 | 126,080 |
| Total | $710,147 | $505,967 |

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Mandatorily measured at fair value through profit or loss: | | |
| Foreign listed stocks | $15,758 | $22,567 |

Financial assets at fair value through profit or loss-noncurrent were not pledged.

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Equity instrument investment measured at fair value through other comprehensive profit and loss： | | |
| Unlisted stocks | $25,411 | $30,072 |

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

(4) Notes receivable

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Notes receivable arising from operating activities | $1,348 | $2,856 |

Notes receivable were not pledged.

(5) Accounts receivable

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Accounts receivable | $180,089 | $166,733 |
| Less: loss allowance | (449) | (449) |
| Subtotal | 179,640 | 166,284 |
| Accounts receivable from related parties | 831 | - |
| Total | $180,471 | $166,284 |

Accounts receivables were not pledged.

Accounts receivable are generally on 30~150 day terms. As of December 31, 2020 and 2019, the book value were NT$180,089 thousand and NT$166,733 thousand, respectively. Please refer to Note 6.12 for more details on loss allowance of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Raw materials | $40,629 | $27,320 |
| Work in progress | 4,734 | 6,836 |
| Finished goods | 39 | 248 |
| Merchandise inventories | 39,835 | 34,612 |
| Total | $85,237 | $69,016 |

The cost of inventories recognized in expenses amounts to NT$863,238 thousand and NT$797,131 thousand for the years ended December 31, 2020 and 2019, including the write-down of inventories of NT$4,053 thousand and NT$287 thousand.

No inventories were pledged.

(7) Property, plant and equipment

| | Land | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| As of January 1, 2020 | $123,637 | $125,751 | $254,332 | $12,636 | $27,619 | $3,778 | $547,753 |
| Additions | - | 894 | 976 | 1,228 | 6,550 | 303 | 9,951 |
| Disposals | - | (3,601) | (47,427) | (1,069) | (5,004) | - | (57,101) |
| Transfers | - | - | - | - | - | - | - |
| Exchange differences | - | (34) | 23 | (52) | 8 | - | (55) |
| As of December 31, 2020 | $123,637 | $123,010 | $207,904 | $12,743 | $29,173 | $4,081 | $500,548 |
| | | | | | | | |
| As of January 1, 2019 | $102,180 | $113,215 | $252,423 | $12,659 | $27,281 | $13,891 | $521,649 |
| Additions | 17,757 | 11,090 | 12,277 | 150 | 1,601 | - | 42,875 |
| Disposals | - | - | (7,721) | (12) | (973) | (9,755) | (18,461) |
| Exchange differences | 3,700 | 1,700 | - | - | - | - | 5,400 |
| Other changes | - | (254) | (2,647) | (161) | (290) | (358) | (3,710) |
| As of December 31, 2019 | $123,637 | $125,751 | $254,332 | $12,636 | $27,619 | $3,778 | $547,753 |
| | | | | | | | |
| Depreciation and impairment: | | | | | | | |
| As of January 1, 2020 | $7,000 | $46,553 | $210,674 | $11,505 | $22,514 | $3,778 | $302,024 |
| Depreciation | - | 4,088 | 13,779 | 543 | 2,559 | 80 | 21,049 |
| Disposals | - | (2,404) | (43,975) | (989) | (4,680) | - | (52,048) |
| Transfers | - | - | - | - | - | - | - |
| Exchange differences | - | (20) | (71) | (58) | (5) | - | (154) |
| As of December 31, 2020 | $7,000 | $48,217 | $180,407 | $11,001 | $20,388 | $3,858 | $270,871 |
| | | | | | | | |
| As of January 1, 2019 | $7,000 | $41,606 | $205,485 | $10,921 | $20,558 | $13,891 | $299,461 |
| Depreciation | - | 3,861 | 14,922 | 735 | 3,055 | - | 22,573 |
| Disposals | - | - | (7,721) | (11) | (907) | (9,755) | (18,394) |
| Transfers | - | 1,227 | - | - | - | - | 1,227 |
| Exchange differences | - | (141) | (2,012) | (140) | (192) | (358) | (2,843) |
| As of December 31, 2019 | $7,000 | $46,553 | $210,674 | $11,505 | $22,514 | $3,778 | $302,024 |

Net carrying amount as at:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| December 31, 2020 | $116,637 | $74,793 | $27,497 | $1,742 | $8,785 | $223 | $229,677 |
| December 31, 2019 | $116,637 | $79,198 | $43,658 | $1,131 | $5,105 | $- | $245,729 |

(8) Intangible Assets

| | Computer software | Other intangible assets | Total |
|---|---|---|---|
| Cost: | | | |
| As of January 1, 2020 | $16,029 | $- | $16,029 |
| Addition-acquired separately | 3,174 | 646 | 3,820 |
| Disposal | (670) | - | (670) |
| Exchange differences | 1 | 7 | 8 |
| As of December 31, 2020 | $18,534 | $653 | $19,187 |
| | | | |
| As of January 1, 2019 | $15,438 | $- | $15,438 |
| Addition-acquired separately | 1,066 | - | 1,066 |
| Disposal | (451) | - | (451) |
| Exchange differences | (24) | - | (24) |
| As of December 31, 2019 | $16,029 | $- | $16,029 |
| | | | |
| Amortization and impairment: | | | |
| As of January 1, 2020 | $13,925 | $- | $13,925 |
| Amortization | 2,123 | 72 | 2,195 |
| Disposal | (343) | - | (343) |
| Exchange differences | (1) | 1 | - |
| As of December 31, 2020 | $15,704 | $73 | $15,777 |
| | | | |
| As of January 1, 2019 | $11,883 | $- | $11,883 |
| Amortization | 2,515 | - | 2,515 |
| Disposal | (451) | - | (451) |
| Exchange differences | (22) | - | (22) |
| As of December 31, 2019 | $13,925 | $- | $13,925 |
| | | | |
| Net carrying amount as of: | | | |
| December 31, 2020 | $2,830 | $580 | $3,410 |
| December 31, 2019 | $2,104 | $- | $2,104 |

Amortization expense of intangible assets under the statement of comprehensive income:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Operating costs | $- | $154 |
| Selling expenses | $324 | $324 |
| Administrative expenses | $1,689 | $1,804 |
| Research and development expenses | $182 | $233 |

(9) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries makes monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of the subsidiaries in China are provided in accordance with the local regulations. The subsidiaries will make contributions of certain percentage of each individual employee's salaries to employee's pension accounts.

Pension benefits for employees of foreign subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$7,198 thousand and NT$6,795 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$1,200 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

As of December 31, 2020, and 2019, the Group expects its defined benefits plan obligation to become due in 2036.

Pension costs recognized in profit or loss are as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Current period service costs | $478 | $850 |
| Net interest on the net defined benefit liabilities (assets) | 220 | 265 |
| Total | $698 | $1,115 |

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Defined benefit obligation | $75,884 | $92,825 |
| Plan assets at fair value | (43,730) | (60,881) |
| Other non-current liabilities - Accrued pension liabilities (assets) recognized on the consolidated balance sheets | $32,154 | $31,944 |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability (assets) |
|---|---|---|---|
| As at January 1, 2019 | $88,702 | $(59,107) | $29,595 |
| Current period service costs | 850 | - | 850 |
| Net interest expense (income) | 813 | (548) | 265 |
| Subtotal | 90,365 | (59,655) | 30,710 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | (1,929) | (118) | (2,047) |
| Experience adjustments | 6,127 | - | 6,127 |
| Remeasurements of defined benefit asset | - | (1,661) | (1,661) |
| Subtotal | 94,563 | (61,434) | 33,129 |
| Payments from the plan | (1,738) | 1,738 | - |
| Employer payment | - | - | - |
| Contributions by employer | - | (1,185) | (1,185) |
| As at December 31, 2019 | 92,825 | (60,881) | 31,944 |
| Current period service costs | 478 | - | 478 |
| Net interest expense (income) | 655 | (435) | 220 |
| Subtotal | 93,958 | (61,316) | 32,642 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | 2,628 | (124) | 2,504 |
| Experience adjustments | (829) | - | (829) |
| Remeasurements of defined benefit asset | - | (960) | (960) |
| Subtotal | 95,757 | (62,400) | 33,357 |
| Payments from the plan | (19,873) | 19,873 | - |
| Employer payment | - | - | - |
| Contributions by employer | - | (1,203) | (1,203) |
| Balance at December 31, 2020 | $75,884 | $(43,730) | $32,154 |

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Discount rates | 0.35% | 0.75% |
| Expected rates of salary increase | 2.25% | 2.50% |

The following sensitivity analysis for significant assumption:

| | For the years ended December 31, 2020 | |
|---|---|---|
| | Increase defined benefit obligation | Decrease defined benefit obligation |
| Discount rate increase by 0.1% | $- | $763 |
| Discount rate decrease by 0.1% | 774 | - |
| Future salary increase by 0.1% | 678 | - |
| Future salary decrease by 0.1% | - | 670 |

| | For the years ended December 31, 2019 | |
|---|---|---|
| | Increase defined benefit obligation | Decrease defined benefit obligation |
| Discount rate increase by 0.5% | $- | $3,938 |
| Discount rate decrease by 0.5% | 4,233 | - |
| Future salary increase by 0.5% | 3,727 | - |
| Future salary decrease by 0.5% | - | 3,517 |

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

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

(10) Equities

A. Common stock

The Group’s authorized capital and issued capital was NT$450,000 thousand and NT$362,888 thousand as at December 31, 2020 and 2019, each at a par value of NT$10 for 36,289 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Additional paid-in capital | $36,000 | $36,000 |
| Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired / disposed of | 10,759 | 10,759 |
| Total | $46,759 | $46,759 |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Group. When a Group incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Group. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Group's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

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

Details of the 2019 and 2018 earnings distribution and dividends per share as approved by the shareholders' meeting on June 15, 2020 and May 24, 2019, respectively, are as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Legal reserve | $7,450 | $5,916 | | |
| Special reserve | 14,277 | 12,271 | | |
| Common stock - cash dividend | 58,062 | 47,175 | $1.60 | $1.30 |

Please refer to Note 6.(14) for details on employees' compensation and remuneration to directors and supervisors.

D. Non-controlling interests

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Beginning balance | $230 | $426 |
| Profit (loss) attributable to non-controlling interests | 450 | (239) |
| Other comprehensive income, attributable to non-controlling interests, net of tax: | | |
| Other | - | 43 |
| Ending balance | $680 | $230 |

(11) Operating revenues

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Revenue from contracts with customers | | |
| Sale of goods | $1,137,952 | $1,013,334 |
| Revenue arising from rendering of services | 248,448 | 140,894 |
| Total | $1,386,400 | $1,154,228 |

Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2020

| | Customer Service Dept | Electronics Dept | PCB Dept | Production Dept | Total |
|---|---|---|---|---|---|
| Sales revenue | $119,566 | $413,098 | $551,847 | $53,441 | $1,137,952 |
| Rendering of services | 59,594 | 8,476 | 180,378 | - | 248,484 |
| Total | $179,160 | $421,574 | $732,225 | $53,441 | $1,386,400 |
| Timing of revenue recognition: | | | | | |
| At a point in time | $179,160 | $421,574 | $732,225 | $53,441 | $1,386,400 |

For the year ended December 31, 2019

| | Customer Service Dept | Electronics Dept | PCB Dept | Production Dept | Total |
|---|---|---|---|---|---|
| Sales revenue | $100,274 | $409,198 | $486,109 | $17,753 | $1,013,334 |
| Rendering of services | 30,039 | 11,358 | 99,442 | 55 | 140,894 |
| Total | $130,313 | $420,556 | $585,551 | $17,808 | $1,154,228 |
| Timing of revenue recognition: | | | | | |
| At a point in time | $130,313 | $420,556 | $585,551 | $17,808 | $1,154,228 |

B. Contract balances

Contract liabilities - current

| | Beginning balance | Ending balance | Difference |
|---|---|---|---|
| Sales of goods | $44,594 | $65,470 | $20,876 |

The significant changes in the Group's balances of contract liabilities for the years ended December 31 2020 and 2019 are as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| The opening balance transferred to revenue | $44,417 | $12,969 |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 65,293 | 41,255 |

(12) Expected credit losses/(gains)

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Operating expenses – Expected credit losses/(gains) | $- | $- |

The Group does not expect that any significant losses will incur because the counterparty fail to fulfill the agreement. Please refer to Note 12 for information of credit risks.

The Group measures the loss allowance of its accounts receivables (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses.

The assessment of the Group's loss allowance as at December 31, 2020 and 2019 are as follow:

A. the loss allowance of accounts receivables is measured at an amount equal to lifetime expected credit losses, details are as follow

| | As of | |
|---|---|---|
| | 31 Dec. 2020 | 31 Dec. 2019 |
| Total carrying amount | $182,268 | $169,589 |
| Expected credit loss rates | 0.25% | 0.26% |
| Loss allowance | 449 | 449 |
| Total | $181,819 | $169,140 |

B. based on past experience, the Group considers its accounts receivables as a single group and its loss allowance is measured by using a provision matrix, details are as follow:

For the year ended December 31, 2020

| | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not yet due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross carrying amount | $182,268 | $- | $- | $- | $- | $- | $182,268 |
| Loss ratio | 0.25% | | | | | | 0.25% |
| Lifetime expected credit losses | 449 | - | - | - | - | - | 449 |
| Total | $181,819 | $- | $- | $- | $- | $- | $181,819 |

For the year ended December 31, 2019

| | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not yet due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross carrying amount | $169,589 | $- | $- | $- | $- | $- | $169,589 |
| Loss ratio | 0.26% | | | | | | 0.26% |
| Lifetime expected credit losses | 449 | - | - | - | - | - | 449 |
| Total | $169,140 | $- | $- | $- | $- | $- | $169,140 |

(13) Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery and other equipment. The lease terms range from 1 to 4 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Buildings | $1,017 | $3,880 |

During the ended 31 December 2020 and 2019, the Group's additions to right-of-use assets amounting to NT$0 thousand and NT$620 thousand, respectively.

b. Lease liabilities

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Lease liabilities | $1,039 | $3,936 |
| Current | 1,039 | 2,825 |
| Non-current | - | 1,111 |

Please refer to Note 6.15 D. for the interest on lease liabilities recognized during the ended 31 December 2020 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | For the year ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Buildings | $2,749 | $3,569 |

C. Income and costs relating to leasing activities

| | For the year ended December 31, | |
|---|---|---|
| | 2020 | 2020 |
| The expenses relating to short-term leases | $1,201 | $104 |
| The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets) | 53 | 53 |

D. Cash outflow relating to leasing activities

During the year ended 31 December 2020 and 2019, the Group's total cash outflows for leases amounting to NT$3,637 thousand and NT$3,763 thousand, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2020 and 2019:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Non-operating expenses | Total amount | Operating costs | Operating expenses | Non-operating expenses | Total amount |
| Employee benefits expense | | | | | | | | |
| Salaries | $43,128 | $194,871 | $- | $237,999 | $46,811 | $161,848 | $- | $208,659 |
| Labor and health insurance | 2,960 | 10,799 | - | 13,759 | 3,161 | 10,353 | - | 13,514 |
| Pension | 1,650 | 6,246 | - | 7,896 | 1,797 | 6,112 | - | 7,909 |
| Other employee benefits expense | 2,056 | 8,494 | - | 10,550 | 2,776 | 8,003 | - | 10,779 |
| Depreciation | 14,200 | 9,598 | - | 23,798 | 15,351 | 10,791 | 21 | 26,163 |
| Amortization | - | 2,195 | - | 2,195 | 154 | 2,361 | - | 2,515 |

According to the Articles of Incorporation, 1%-8% of profit of the current year is distributable as employees' compensation, and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Group's accumulated losses shall have been covered. The Group may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash and as remuneration to directors and supervisors only in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2020, the Group estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2020 to be 1% of profit of the current year, recognized as the employees' compensation and remuneration to directors and supervisors were both NT$2,108 thousand. The amounts of the employees' compensation and remuneration to directors and supervisors recognized for the year ended December 31, 2019 were both NT$996 thousand. The estimated amounts were based on the profit of current period and were recognized as salaries.

A resolution was passed at a Board of Directors meeting held on March 24, 2020 to distribute NT$996 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2019, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2019.

(15) Non-operating income and expenses

A. Interest income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial assets measured at amortized cost | $2,900 | $5,352 |

B. Other income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Rental income | $113 | $556 |
| Dividend income | 1,328 | 4,773 |
| Others | 1,984 | 2,878 |
| Total | $3,425 | $8,207 |

C. Other gains and losses

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Gains on disposal of property, plant and equipment | $18,471 | $123 |
| Gains on disposal of intangible assets | 1,925 | - |
| Foreign exchange (losses) gains, net | 37 | 229 |
| Gains on financial assets at fair value through profit or loss (Note) | (6,809) | 22,026 |
| Others | (12,668) | (3,092) |
| Total | $956 | $19,286 |

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss.

D. Finance costs

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Interest on borrowings from bank | $54 | $169 |
| Interest on lease liabilities | 76 | 190 |
| Total finance costs | $130 | $359 |

(16) Components of other comprehensive income

For the year ended December 31, 2020

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | $(715) | $- | $(715) | $143 | $(572) |
| Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income | (4,363) | - | (4,363) | 873 | (3,490) |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (2,232) | - | (2,232) | - | (2,232) |
| Total | $(7,310) | $- | $(7,310) | $1,016 | $(6,294) |

For the year ended December 31, 2019

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | $(2,419) | $- | $(2,419) | $484 | $(1,935) |
| Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income | (12,819) | - | (12,819) | 2,564 | (10,255) |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (4,021) | - | (4,021) | - | (4,021) |
| Total | $(19,259) | $- | $(19,259) | $3,048 | $(16,211) |

(17) Income tax

The major components of income tax expense (income) for the years ended December 31 2020 and 2019 are as follows:

Income tax expense (income) recognized in profit or loss

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Current income tax expense (income): | | |
| Current income tax charge | $38,339 | $20,852 |
| Adjustments in respect of current income tax of prior periods | (346) | - |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | (4,512) | 2,095 |
| Total income tax expense | $33,481 | $22,947 |

Income tax recognized in other comprehensive income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Deferred tax expense (income): | | |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | $(873) | $(2,564) |
| Gains (losses) on remeasurement of defined benefit plan | (143) | (484) |
| Income tax relating to components of other comprehensive income | $(1,016) | $(3,048) |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Accounting profit (loss) before tax from continuing operations | $210,122 | $99,149 |
| Tax at the domestic rates applicable to profits in the country concerned | 44,396 | 21,283 |
| Tax effect of expenses not deductible for tax purposes | - | 1,602 |
| Tax effect of deferred tax assets/liabilities | (10,583) | - |
| Corporate income surtax on undistributed retained earnings | 14 | 62 |
| Adjustments in respect of current income tax of prior periods | (346) | - |
| Total income tax expense (income) recognized in profit or loss | $33,481 | $22,947 |

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

| | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Pension | $9,647 | $(100) | $143 | $9,690 |
| Allowance for inventory valuation losses | 2,997 | - | - | 2,997 |
| Unrealized exchange losses (gains) | (50) | (41) | - | (91) |
| Unrealized salaries | 6,271 | 3,291 | - | 9,562 |
| Revaluations of financial assets at fair value through profit or loss | (3,693) | 1,362 | - | (2,331) |
| Revaluations of financial assets at fair value through other comprehensive income | 4,429 | - | 873 | 5,302 |
| Others | (33) | - | - | (33) |
| Deferred tax income | | $4,512 | $1,016 | |
| Deferred tax assets/(liabilities)-net | $19,568 | | | $25,096 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $23,344 | | | $27,551 |
| Deferred tax liabilities | $(3,776) | | | $(2,455) |

For the year ended December 31, 2019

| | Beginning balance (Note) | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Pension | $9,176 | $(13) | $484 | $9,647 |
| Allowance for inventory valuation losses | 2,989 | 8 | - | 2,997 |
| Unrealized exchange losses (gains) | (60) | 10 | - | (50) |
| Unrealized salaries | 5,862 | 409 | - | 6,271 |
| Revaluations of financial assets at fair value through profit or loss | (1,184) | (2,509) | - | (3,693) |
| Revaluations of financial assets at fair value through other comprehensive income | 1,865 | - | 2,564 | 4,429 |
| Others | (33) | - | - | (33) |

| | Beginning balance (Note) | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Deferred tax income | | $(2,095) | $3,048 | |
| Deferred tax assets/(liabilities)-net | $18,615 | | | $19,568 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $19,894 | | | $23,344 |
| Deferred tax liabilities | $1,279 | | | $3,776 |

Note: The Group adopted IFRS 9 since January 1, 2019. Please refer to Note 3 for more details of adjustments of beginning balance.

The following table contains information of the unused tax losses of the Group:

| | | Unused tax losses as at | | |
|---|---|---|---|---|
| Year | Tax losses for the period | December 31, 2020 | December 31, 2019 | Expiration year |
| 2011 | $10,416 | $2,189 | $10,357 | 2021 |
| 2012 | 13,380 | 13,381 | 13,381 | 2022 |
| 2013 | 8,403 | 8,403 | 8,403 | 2023 |
| 2018 | 6,212 | 6,212 | 6,212 | 2028 |
| 2019 | 4,300 | 4,300 | 4,300 | 2029 |
| | | $34,485 | $42,653 | |

Unrecognized deferred tax assets

As of December 31, 2020, and 2019, the Group does not have unrecognized deferred tax assets.

The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2018 |

| | |
|---|---|
| TKK Precision Co., Ltd | Assessed and approved up to 2018 |
| THT Technology Co., Ltd | Assessed and approved up to 2018 |

(18) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Given that the Group does not have potential common shares which have dilutive effects outstanding, the Group is not required to adjust basic earnings per share for dilution.

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Group (in thousand NT$) | $176,191 | $76,441 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 36,289 | 36,289 |
| Basic earnings per share (NT$) | $4.86 | $2.11 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

## 7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| WKK Japan Limited | Other related parties |
| Wong’s Kong King Holdings Limited | Other related parties |
| WKK (THAILAND) LTD. | Other related parties |
| WKK Trading (Shanghai) Co., Ltd. | Other related parties |
| Taiwan WKK Distribution Co., Ltd. | Other related parties |
| WKK China Limited | Other related parties |
| WKK EMS Equipment (Beijing) Ltd. | Other related parties |
| WKK EMS Equipment (Shenzhen) Ltd. | Other related parties |

Significant transactions with related parties

(1) Sales

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| WKK Japan Limited | $8,308 | $3,937 |
| WKK (THAILAND) LTD. | 72 | - |
| Total | $8,380 | $3,937 |

The sales of the Group to the related parties reference to no similar transactions. The terms of the transactions were agreed upon by both sides based on the market condition. The collection period for sales to related parties was month-end 1~2 months.

(2) Purchases

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| WKK Japan Limited | $259,740 | $252,475 |
| WKK Trading (Shanghai) Co., Ltd. | 51 | - |
| Taiwan WKK Distribution Co., Ltd. | 53 | - |
| WKK China Limited | 2,261 | - |
| WKK EMS Equipment (Beijing) Ltd. | 24 | - |
| WKK EMS Equipment (Shenzhen) Ltd. | 58 | - |
| Total | $262,187 | $252,475 |

The purchase of the Group from related parties wasn't on discount price. The terms of the transactions were agreed upon by both sides based on the market condition. The collection period for sales to related parties was month-end 1~2 months.

(3) Amounts owed by related parties

A. Account Receivables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |

| | | |
|---|---|---|
| WKK Japan Limited | $831 | $- |

(3) Amounts owed to related parties

A. Account Payables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| WKK Japan Limited | $6,814 | $921 |
| Taiwan WKK Distribution Co., Ltd. | 24 | - |
| Total | $6,838 | $921 |

B. Other payables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| WKK Japan Limited | $159 | $3,042 |

(4) Service revenue

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| WKK Japan Limited | $148,248 | $43,887 |

(5) Asset transactions

| | For the year ended December 31, 2020 | |
|---|---|---|
| | Item | Amount |
| Other related parties | | |
| WKK Japan Limited | Machinery and equipment | $- |

| | For the year ended December 31, 2019 | |
|---|---|---|
| | Item | Amount |
| Other related parties | | |
| WKK Japan Limited | Machinery and equipment | $5,677 |

(6) Cost of services

| | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| Other related parties | | |
| WKK Japan Limited | $1,113 | $1,393 |

(7) Operating expenses

| | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| Other related parties | | |
| WKK Japan Limited | $311 | $73 |
| Wong's Kong King Holdings Limited | 356 | 901 |
| Total | $667 | $974 |

(8) Key management personnel compensation

| | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| Short-term employee benefits | $32,251 | $24,800 |
| Post-employment benefits | 440 | 249 |
| Total | $32,691 | $25,049 |

8. ASSETS PLEDGED AS SECURITY

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

None.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

## 12. OTHERS

(1) Categories of financial instruments

| Financial assets | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial assets at fair value through profit or loss: | | |
| Designated at fair value through profit or loss | $15,758 | $22,567 |
| Financial assets at fair value through other comprehensive income | 25,411 | 30,072 |
| Financial assets measured at amortized cost (Note 1) | 899,424 | 682,465 |
| Total | $940,593 | $735,104 |

| Financial liabilities | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial liabilities at amortized cost: | | |
| Notes payable and accounts payables | $250,935 | $194,649 |
| Lease liabilities | 1,039 | 3,936 |
| Total | $251,974 | $198,585 |

Note 1: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivables, other receivables and guarantee deposits paid.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

<u>Foreign currency risk</u>

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency). The Group opened savings accounts for some foreign currency receivables and payments to manage foreign currency risk by adjusting exchange rate immediately. Also, the Group considered currency factors when making sales quotation to ensure a reasonable profit.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD, foreign currency RMB, foreign currency JPY and foreign currency EUR. The information of the sensitivity analysis is as follows:

(a) When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by NT$441 thousand and NT$1,126 thousand, respectively.

(b) When NTD strengthens/weakens against foreign currency RMB by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by NT$1,494 thousand and NT$636 thousand, respectively.

(c) When NTD strengthens/weakens against foreign currency JPY by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by NT$2,686 thousand and NT$1,460 thousand, respectively.

(d) When NTD strengthens/weakens against foreign currency EUR by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by NT$208 thousand and NT$53 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

For the year ended December 31, 2020, a change of 1% in the price of the listed company stocks classified as equity instruments investments measured at fair value through profit or loss could have an impact of NT$158 thousand and NT$226 thousand on the equity attributable to the Group.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2020, and 2019, amounts receivables from top ten customers represent 80.73% and 65.43% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses, for the loss allowance of accounts receivables is measured at lifetime expected credit losses.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and industrial information, the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As of Dec. 31, 2020 | | | | | |
| Notes payables | $24 | $- | $- | $- | $24 |
| Accounts payables | 245,038 | 5,873 | - | - | 250,911 |
| Lease liabilities | 1,039 | - | - | - | 1,039 |
| | | | | | |
| As of Dec. 31, 2019 | | | | | |
| Notes payables | $16 | $- | $- | $- | $16 |
| Accounts payables | 181,264 | 13,369 | - | - | 194,633 |
| Lease liabilities | 2,825 | 1,111 | - | - | 3,936 |

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2020:

| | Leases Liabilities |
|---|---|
| As of 1 January 2020 | $3,936 |
| Cash flows | (2,383) |
| Non-cash changes | 15 |
| Foreign exchange movement | (529) |
| As of December 31 2020 | $1,039 |

(7) Fair value of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measure hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: unobservable inputs for the asset or liability

For assets and liabilities measured at fair value on a recurring basis, the Group re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

B. Fair value measurement hierarchy of the Group's assets

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $15,758 | $- | $- | $15,758 |
| Financial assets at fair value through other comprehensive income | | | | |
| Investments in equity instruments designated at fair value through other comprehensive income | - | - | 25,411 | 25,411 |

| | As of December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $22,567 | $- | $- | $22,567 |
| Financial assets at fair value through other comprehensive income | | | | |
| Investments in equity instruments designated at fair value through other comprehensive income | - | - | 30,072 | 30,072 |

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | Assets |
|---|---|
| | At fair value through other comprehensive income |
| | Stocks |
| Beginning balances as at January 1, 2020 | $30,072 |
| Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | (4,363) |
| Foreign exchange movement | (298) |
| Ending balances as at December 31, 2020 | $25,411 |

| | Assets |
|---|---|
| | At fair value through other comprehensive income |
| | Stocks |
| Beginning balances as at January 1, 2019 | $37,313 |
| Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | (12,819) |
| Acquisition/issues for the year ended 31 December 2019 | 5,567 |
| Foreign exchange movement | 11 |
| Ending balances as at December 31, 2019 | $30,072 |

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

| | As of December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
| Financial assets: | | | | | |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30~80% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$5,250 thousand |

| | As of December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
| Financial assets: | | | | | |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30~80% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$4,965 thousand |

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | As of December 31, 2020 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $4,298 | 28.1000 | $120,774 |
| JPY | 1,114,029 | 0.2725 | 303,573 |
| EUR | 838 | 34.5600 | 28,961 |
| RMB | 35,671 | 4.3140 | 153,885 |
| HKD | 456 | 3.6250 | 1,653 |
| KRW | 86 | 0.0264 | 2 |

| | Foreign currencies | Foreign exchange rate | NTD |
|---|---|---|---|
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $2,730 | 28.1000 | $76,713 |
| JPY | 128,334 | 0.2725 | 34,971 |
| EUR | 238 | 34.5600 | 8,225 |
| HKD | 1,039 | 4.3140 | 4,482 |
| RMB | 477 | 3.6250 | 1,720 |

| | As of December 31, 2019 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $5,052 | 30.0400 | $151,762 |
| JPY | 599,421 | 0.2764 | 165,680 |
| EUR | 591 | 33.6600 | 19,893 |
| RMB | 16,160 | 4.3100 | 69,650 |
| HKD | 386 | 3.8570 | 1,489 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 1,304 | 30.0400 | 39,172 |
| EUR | 71,358 | 0.2764 | 19,723 |
| JPY | 433 | 33.6600 | 14,575 |
| HKD | 1,395 | 4.3100 | 6,012 |
| RMB | 410 | 3.8570 | 1,581 |

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

For the years ended December 31, 2020 and 2019, the Group's foreign exchange gains were NT$37 thousand and NT$229 thousand, respectively.

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURES

(1) Information at significant transactions

1 Financing provided to others：Attachment 1
2 Endorsements/guarantees provided：None
3 Marketable securities held：Attachment 2
4 Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital：None
5 Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital：None
6 Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital：None
7 Total sales to or purchases from related parties amounting to at least NT$100 million or 20% of the paid-in capital：Attachment 3
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 Significant intercompany transactions and amounts between consolidated entities：Attachment 4

(2) Information on investees: Please refer to Attachment 5

(3) Information on investments in mainland China: Please refer to Attachment 6

(4) Information on major shareholders: Please refer to Attachment 7

14. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

1. Customer Service Dept：Installation and related warranty of machinery, after-sales service and the control of inventories.

2. Electronics Dept：Marketing for SMT, semiconductor and solar equipment, market research, business activities, market development planning and implementation.

3. PCB Dept：Marketing for PCB equipment and materials, market research, business activities, market development plans and implementation.

4. Production Dept：Control of machinery and its related products' manufacturing.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Reportable on departmental profit and loss, assets and liabilities

For the year ended December 31, 2020

| | Customer Service Dept | Electronics Dept | PCB Dept | Production Dept | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customer | $179,160 | $421,574 | $732,226 | $53,440 | $- | $1,386,400 |
| Inter-segment | 19,115 | 19,802 | 71,833 | 91,075 | (201,825) | - |
| Total revenue | $198,275 | $441,376 | $804,059 | $144,515 | $(201,825) | $1,386,400 |
| Segment profit | $67,756 | $32,633 | $138,767 | $16,531 | $(45,565) | $210,122 |

For the year ended December 31, 2019

| | Customer Service Dept | Electronics Dept | PCB Dept | Production Dept | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customer | $130,313 | $420,556 | $585,551 | $17,808 | $- | $1,154,228 |
| Inter-segment | 15,039 | 16,338 | 44,851 | 81,334 | (157,562) | - |
| Total revenue | $145,352 | $436,894 | $630,402 | $99,142 | $(157,562) | 1,154,228 |
| Segment profit | $28,366 | $23,194 | $40,716 | $(2,868) | $9,741 | $99,149 |

Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

Attachment 1 (Financing provided to others as of December 31, 2020)

Unit: Amount in thousands of NTD

| No (Note 1) | Creditor | Borrower | General Leger account | Related party | Maximum outstanding balance during the year ended December 31, 2020 | Balance at December 31, 2020 (Credits approved by the Boards) | Actual amount | Interest rate% | Nature for Financing | Reason for Financing | Loss Allowance | Collateral | Financing Limits for Each Borrowing Company (Note 2) | Financing Company's Total Financing Amount Limits (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Taiwan Kong King Co., Limited | Headway Holdings Limited | Other Receivables | yes | $54,500 | $54,500 | $- | 0.80% | Due to short-term financing | Need for operating | $- | - | $93,915 | $375,662 |

Note 1：The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2：The limits and the calculation is based on the 10% of equity of report audited by the auditors.

Note 3：The limits and the calculation is based on the 40% of equity of report audited by the auditors.

ATTACHMENT 1-1 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

Significant intercompany transactions between consolidated entities

December 31, 2019

| No. (Note 1) | Related party | Counterparty | Relationship with the Company (Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Collection periods (Note 5) | Percentage of consolidated operating revenues or consolidated total assets (Note 3) |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Service revenue | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Other income | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Accounts receivable | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Rent income | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Prepayments to suppliers | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | The Kong King Technology (Suzhou) Co., Ltd. | 1 | Accounts payable | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | The Kong King Technology (Suzhou) Co., Ltd. | 1 | Purchase | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | The Kong King Technology (Suzhou) Co., Ltd. | 1 | Sales revenue | | | 0.00% |
| 0 | Taiwan Kong King Co., Limited | The Kong King Technology (Suzhou) Co., Ltd. | 1 | Rent income | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | The Kong King Technology (Suzhou) Co., Ltd. | 1 | Cost of services | | - | 0.00% |
| 0 | Taiwan Kong King Co., Limited | Hong Kong Taiwan Kong King Limited | 1 | Other expenses | | | 0.00% |
| 0 | Taiwan Kong King Co., Limited | Hiking Technology (Suzhou) Co., Ltd. | 1 | Other receivables | | - | 0.00% |

Note 1: The numbers above are identified as follows:

1."0" for the Company.

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The flow of transactions was as follows:

1.From the Company to the subsidiary.

2.From the subsidiary to the Company.

3.Between subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The transaction terms with the related party are not significantly different from those to third parties.

Note 5: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties.

For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

ATTACHMENT 1-2 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

Significant intercompany transactions between consolidated entities

December 31, 2019

| No. (Note 1) | Related party | Counterparty | Relationship with the Company (Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Collection periods (Note 5) | Percentage of consolidated operating revenues or consolidated total assets (Note 3) |
| 1 | TKK Precision Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | 3 | Service revenue | | - | 0.00% |
| 1 | TKK Precision Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | 3 | Other income | | - | 0.00% |
| 1 | TKK Precision Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | 3 | Accounts receivable | | - | 0.00% |
| 2 | Hong Kong Taiwan Kong King Limited | Hiking International Co Ltd | 3 | Other receivables | | - | 0.00% |
| 3 | THT Technology Co., Ltd. | TKK Precision Co., Ltd. | 3 | Prepayments to suppliers | | - | 0.00% |
| 4 | Hiking Technology (Suzhou) Co., Ltd. | TKK Precision Co., Ltd. | 3 | Accounts payable | | - | 0.00% |
| 4 | Hiking Technology (Suzhou) Co., Ltd. | TKK Precision Co., Ltd. | 3 | Purchase | | - | 0.00% |
| 4 | Hiking Technology (Suzhou) Co., Ltd. | The Kong King Technology (Suzhou) Co., Ltd. | 3 | Sales revenue | | - | 0.00% |
| 4 | Hiking Technology (Suzhou) Co., Ltd. | The Kong King Technology (Suzhou) Co., Ltd. | 3 | Rent income | | - | 0.00% |
| 4 | Hiking Technology (Suzhou) Co., Ltd. | The Kong King Technology (Suzhou) Co., Ltd. | 3 | Cost of services | | - | 0.00% |
| 5 | The Kong King Technology (Suzhou) Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | 3 | Other expenses | | - | 0.00% |
| 5 | The Kong King Technology (Suzhou) Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | 3 | Other receivables | | - | 0.00% |

Note 1: The numbers above are identified as follows:

1."0" for the Company.

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The flow of transactions was as follows:

1.From the Company to the subsidiary.

2.From the subsidiary to the Company.

3.Between subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The transaction terms with the related party are not significantly different from those to third parties.

Note 5: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties.

For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Attachment 2 (Securities held as of December 31, 2020)

Unit: Amount in thousands of NTD

(Except for the shares or units)

| Holding Company Name | Type and Name of the Securities | Relationship | Financial statement account | December 31, 2020 | | | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying amount | Percentage of ownership(%) | Fair value/ Net assets value | |
| Taiwan Kong King Co., Limited | Foreign listed stocks<br>Inspec Limited | - | Financial assets at fair value through profit or loss, noncurrent | 23,700 | JPY 57,828 | 0.65% | JPY 2,440 | - |
| Taiwan Kong King Co., Limited | Unlisted stock<br>Raytek Semiconductor, Inc. | - | Financial assets at fair value through other comprehensive income, noncurrent | 3,056,689 | $20,724 | 2.60% | $20,724.0 | (Note 1) |
| Hong Kong Taiwan Kong King Limited | Stocks<br>Leetech International Co., Ltd. | - | Financial assets at fair value through other comprehensive income, noncurrent | 152,000 | $0 | 19.00% | $0 | (Note 1) |
| Hong Kong Taiwan Kong King Limited | Stocks<br>Top Range Machinery Co., Ltd. | - | Financial assets at fair value through other comprehensive income, noncurrent | 1,516,606 | 4,687 | 9.03% | 4,687 | (Note 1) |

Note 1: No market price.

Attachment 3 (Total sales to or purchases from related parties amounting to at least NT$100 million or 20% of the paid-in capital)

Unit: Amount in thousands of NTD

| Purchaser / Seller | Counterparty | Relationship with the counterparty | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (Sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| Headway Holdings Limited | WKK Japan Limited | Other related parties | Purchases | $133,235 | 72.15% | 30 days | Note | Note | $- | 0.00% | |
| Taiwan Kong King Co., Limited | WKK Japan Limited | Other related parties | Purchases | $125,625 | 22.68% | 30 days | Note | Note | $(6,694) | 5.40% | |

Note：No material differences between other transactions.

Attachment 3-1 (Securities held as of December 31, 2019)

Unit: Amount in thousands of NTD

(Except for the shares or units)

| Holding Company Name | December 31, 2019 | Relationship | Financial statement account | December 31, 2019 | | | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying amount | Percentage of ownership(%) | Fair value/ Net assets value | |
| Hong Kong Taiwan Kong King Limited | Stocks<br>Leetech International Co., Ltd. | - | Financial assets at fair value through other comprehensive income, noncurrent | 152,000 | $3,395 | 19.00% | $3,395 | (Note 2) |
| Hong Kong Taiwan Kong King Limited | Stocks<br>Top Range Machinery Co., Ltd. | - | Financial assets at fair value through other comprehensive income, noncurrent | 1,516,606 | 1,398 | 9.03% | 1,398 | (Note 2) |
| Hong Kong Taiwan Kong King Limited | Stocks<br>The Kong King Technology (Suzhou) Co., Ltd. | Second-tier subsidiary | Investments accounted for using equity method | 2,500,000 | 51,379 | 100.00% | - | (Note 1) |
| Headway Holdings Limited | Stocks<br>Hiking International Co. Ltd | Second-tier subsidiary | Investments accounted for using equity method | 12,636,000 | 40,599 | 100.00% | - | (Note 1) |
| Hiking International Co. Ltd | Stocks<br>Hiking Technology (Suzhou) Co., Ltd. | Third-tier subsidiary | Investments accounted for using equity method | 1,623,700 | 41,997 | 100.00% | - | (Note 1) |

Note 1: The amount was eliminated upon consolidation.

Note 2: No market price.

Attachment 4 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

Significant intercompany transactions between consolidated entities

December 31, 2020

| No. (Note 1) | Related party | Counterparty | Relationship with the Company (Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Collection periods (Note 5) | Percentage of consolidated operating revenues or consolidated total assets (Note 3) |
| 0 | Taiwan Kong King Co., Limited | Headway Holdings Limited | 1 | Commission income | $28,564 | - | 2.06% |
| 0 | Taiwan Kong King Co., Limited | Headway Holdings Limited | 1 | Other income | 1,780 | - | 0.13% |
| 0 | Taiwan Kong King Co., Limited | Hong Kong Taiwan Kong King Limited | 1 | Commission income | 6,579 | - | 0.47% |
| 0 | Taiwan Kong King Co., Limited | Hong Kong Taiwan Kong King Limited | 1 | Cost of services | 2,325 | - | 0.17% |
| 0 | Taiwan Kong King Co., Limited | Hong Kong Taiwan Kong King Limited | 1 | Other receivables | 1,796 | - | 0.13% |
| 0 | Taiwan Kong King Co., Limited | THT Technology Co., Ltd. | 1 | Prepayments | 13,500 | - | 1.02% |
| 0 | Taiwan Kong King Co., Limited | THT Technology Co., Ltd. | 1 | Accounts payable | 15,668 | - | 1.19% |
| 0 | Taiwan Kong King Co., Limited | THT Technology Co., Ltd. | 1 | Purchase | 6,036 | - | 0.44% |
| 0 | Taiwan Kong King Co., Limited | THT Technology Co., Ltd. | 1 | Commission income | 2,508 | - | 0.18% |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Accounts payable | 25,601 | - | 1.94% |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Purchase | 72,955 | - | 5.26% |
| 0 | Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | 1 | Cost of services | 1,409 | - | 0.10% |
| 0 | Taiwan Kong King Co., Limited | The Kong King Technology (Suzhou) Co., Ltd. | 1 | Sales revenue | 11,566 | - | 0.83% |
| 0 | Taiwan Kong King Co., Limited | The Kong King Technology (Suzhou) Co., Ltd. | 1 | Cost of services | 64,654 | - | 4.66% |
| 1 | TKK Precision Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | 3 | Equipments | 7,199 | - | 0.55% |
| 1 | TKK Precision Co., Ltd. | Hiking Technology (Suzhou) Co., Ltd. | 3 | Purchase | 1,482 | - | 0.11% |
| 1 | TKK Precision Co., Ltd. | The Kong King Technology (Suzhou) Co., Ltd. | 3 | Sales revenue | 5,293 | - | 0.38% |
| 2 | Hong Kong Taiwan Kong King Limited | Hiking International Co. Ltd | 3 | Other receivables | 1,558 | - | 0.12% |

Note 1: The numbers above are identified as follows:

1."0" for the Company.

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The flow of transactions was as follows:

1.From the Company to the subsidiary.

2.From the subsidiary to the Company.

3.Between subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The transaction terms with the related party are not significantly different from those to third parties.

Note 5: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties.

For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Attachment 5 (Names, locations and related information of investee companies as of December 31, 2020)

Unit: Amount in thousands of NTD

(Except for the shares or units)

| Investor Company | Investee company | Location | Main Businesses and Products | Initial Investment | | Investment as of December 31, 2020 | | | Net income (loss) of investee company | Investment income(loss) recognized | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Number of shares | Percentage of ownership (%) | Carrying Amount | | | |
| Taiwan Kong King Co., Limited | Hong Kong Taiwan Kong King Limited | Hong Kong | Electronic components trading etc. | $114,505 | $114,505 | 26,209,999 | 99.99% | $100,495 | $22,727 | $22,753 | Subsidiary |
| Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | R.O.C | Electronic components manufacturing, electronic materials trading and testing, and machinery and equipment retailing | 90,530 | 90,530 | 6,237,000 | 100.00% | 125,303 | 10,956 | 9,127 | Subsidiary |
| Taiwan Kong King Co., Limited | Headway Holdings Limited | Samoa | Electronic components trading etc. | 36,076 | 36,076 | 1,100,000 | 100.00% | 63,630 | 4,267 | 13,314 | Subsidiary |
| Taiwan Kong King Co., Limited | THT Technology Co., Ltd. | R.O.C | Machinery, equipment retailing and electronic components manufacturing etc. | 47,250 | 47,250 | 4,725,000 | 94.50% | 11,681 | 8,064 | 7,719 | Subsidiary |
| Hong Kong Taiwan Kong King Limited | The Kong King Technology (Suzhou) Co., Ltd. | China | Electronic materials, machinery and precision equipment retailing, information software service and international trade business | 49,538 | 49,538 | 2,500,000 | 100.00% | 78,964 | 27,232 | (Note 1) | Second-tier Subsidiary |
| Headway Holdings Limited | Hiking International Co. Ltd. | Hong Kong | Investment holding | 27,764 | 27,764 | 12,636,000 | 100.00% | 35,445 | (5,232) | (Note 1) | Second-tier Subsidiary |
| Hiking International Co. Ltd. | Hiking Technology (Suzhou) Co., Ltd. | China | Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service | 57,408 | 57,408 | 1,623,700 | 100.00% | 37,004 | (4,980) | (Note 1) | Third-tier Subsidiary |

Note 1 : Subsidiaries and investments accounted for under the equity method were not invested directly by the Company is not required to disclose.

Attachment 6 (Investment in Mainland China as of December 31, 2020)

Unit: Amount in thousands of NTD

| Investee Company | Main Businesses and Products | Total amount of paid-in capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 | Investment Flows | | Accumulated outflow of investment from Taiwan as of December 31, 2020 | Percentage of ownership | Investment income (loss) recognized (Note 2) | Carrying amount as of December 31, 2020 | Accumulated inward remittance of earnings as of December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | |
| Hiking Technology (Suzhou) Co., Ltd. | Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service | $52,700 | (Note 1.(2)) | $27,764 | $- | $- | $27,764 | 100% | $(4,980) (Note 2.(2).c) | $37,004 | $- |
| The Kong King Technology (Suzhou) Co., Ltd. | Electronic materials, machinery and precision equipment retailing, information software service and international trade business | 82,038 | (Note 1.(1)) | 49,538 | - | - | 49,538 | 100% | 27,232 (Note 2.(2).c) | 78,964 | - |

| Accumulated investment in Mainland China as of December 31, 2019 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment |
|---|---|---|
| $77,302 | $108,264 | $563,492 |

Note 1：The methods for engaging in investment in Mainland China include the following:

(1) Remittance from third-region companies to invest in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region.

(3) Through transferring the investment to third-region existing companies then investing in Mainland China.

(4) Others.

Note 2：Information of the investment income (loss) recognized in current period include the following:

(1) Noted when investment income (loss) was not showed as the financial statement is not yet prepared.

(2) The investment income (loss) were determined based on the following basis:

a. The financial report was audited by an international certified public accounting firm in cooperation with an R.O.C accounting firm.

b. The financial statements were audited by the auditors of the parent company.

c. Others.

2. Significant transactions with directly investment in Mainland China or indirectly investment in Mainland China through companies registered in a third region:

(1) The amounts and percentage of the sales and the balance and percentage of the accounts receivable:

| Year | Company | Sales Amounts | Percentage of the Company's Sales | Balance of Accounts Receivable | Percentage of the Company's Accounts Receivable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $11,566 | 1.55% | $771 | 0.48% |

(2) The amounts and percentage of the purchase and the balance and percentage of the accounts payable:

| Year | Company | Purchase Amounts | Percentage of the Company's Purchase | Balance of Accounts Payable | Percentage of the Company's Accounts Payable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $33 | 0.01% | $- | 0.00% |

(3) Provision of services:

| Year | Company | Amounts of Service Revenue | Percentage of the Company's Service Revenue | Balance of Accounts Receivable | Percentage of the Company's Accounts Receivable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $62 | 0.02% | $771 | 0.48% |

(4) Receipt of services:

| Year | Company | Amounts of Service Costs | Percentage of the Company's Service Costs | Balance of Accounts Payable | Percentage of the Company's Accounts Payable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $64,654 | 60.21% | $- | 0.00% |

(5) The amounts and gains or losses from asset transactions:

| Year | Company | Items | Amounts | Gains (losses) on disposal of assets |
|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | Machinery and equipment | $507 | $319 |

(6) The ending balance and purpose of the endorsement, guarantee or securities: None.

(7) Maximum outstanding balance during the year, ending balance, interest rate range and interest of the financing provided: None.

(8) Other significant transactions impacted the net income or the financial performance for the year: None.

Attachment 7 (Information on Major Shareholders as of December 31, 2020)

| Shareholders | Shares | | | |
|---|---|---|---|---|
| | Common Shares | Preference Shares | Total Shares Owned | Ownership Percentage |
| Wong's Kong King International (Holdings) Ltd | 24,473,836 | - | 24,473,836 | 67.44% |

Note: Major shareholders shows the list of all shareholders with ownership of 5 percent or greater.

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**Independent Auditors' Report Translated from Chinese**

To TAIWAN KONG KING CO., LTD.

**Opinion**

We have audited the accompanying parent company only balance sheets of TAIWAN KONG KING CO., LTD. (the "Company") as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of a Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 parent company only 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company amounted to NT$159,412 thousand and NT$449 thousand as of December 31, 2020, respectively. The net amount of accounts receivables was approximately 13% of total assets and which is significant to the Company. Considering the assessment of allowance for impairment losses is measured by lifetime expected credit loss; the process of measurement must appropriately divide accounts receivables into groups, determine and analyze the use of relevant assumptions in the process of measurement, including appropriate aging intervals, the aging loss rate for each interval and the use of forward-looking information, that reflected the measurement of the expected credit loss involving judgment, analysis and estimates, and the result of measurement affect the net amount of accounts receivables, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding and evaluating whether the internal control is appropriate; when performing internal control, randomly selecting sales orders and vouching them to aging schedule to ensure the accuracy of aging intervals of accounts receivables; confirming whether the customer properly grouped by significantly different loss types and evaluating the reasonableness of management's estimates of assumptions; testing provision matrix, including evaluating the appropriateness of aging intervals and the accuracy of raw data by vouching them to supporting evidences, testing statistical information for the credit loss rate computed by roll rate over a one-year period, considering the reasonableness of forward-looking information used on the credit loss rate, and evaluating whether such forward-looking information would affect credit loss rate. In addition, performing the analytical review procedure to identify whether any material unusual fluctuations between the two-period of accounts receivables turnover exist. Also, reviewing the collections of accounts receivables during the subsequent period for customers with material period-end balances.

We also assessed the adequacy of disclosures of accounts receivables. Please refer to Note 5, 6 and 12 to the parent company only financial statements.

Valuation of inventories

Net inventories by the Company amounted to NT$25,376 thousand, was approximately 2% of total assets as of December 31, 2020 and which is significant to the Company. Considering the possibility of impairment of the inventory driven by economic conditions, the industry competition, and the unexpected decrease of total sales, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding the internal control of management's inventory valuation process. When performing internal control, sampling purchase orders and vouching them to supporting evidences to ensure the inventory aging and the calculation of write-downs from slow-moving inventories are accurate and reasonable; performing the analytical review procedure to assess whether any material unusual fluctuation of ending balances, inventory turnover and gross margin per product between the year ended December 31, 2020 and the prior year exists; sampling sales orders and purchase orders to verify the calculation of allowance for inventory valuation losses to evaluate whether the valuation of inventories is appropriate.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 4, 5 and 6 to the parent company only financial statement.

**Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT$100,495 thousand and NT$79,059 thousand, representing 8% of total assets as of both December 31, 2020 and 2019. The related shares of profits (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT$22,753 thousand and NT$(9,687) thousand, representing 11% and (10)% of the income before tax for the years ended December 31, 2020 and 2019, respectively, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT$5,097 thousand and NT$(15,186) thousand, representing (81)% and 94% of the comprehensive income (loss) for the years ended December 31, 2019 and 2018, respectively.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 or supervisors, are responsible for overseeing the financial reporting process of the Company.

**Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 parent company only financial statements 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.

CHANG, CHIH-MING

HSU, JUNG-HUANG

Ernst & Young, Taipei, Taiwan
March 24, 2021

<u>Notice to Readers</u>

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

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | | As of December 31, | |
|---|---|---|---|
| | NOTES | 2020 | 2019 |
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4,6&12 | $451,072 | $323,197 |
| Notes receivable, net | 4,6&12 | 141 | 826 |
| Accounts receivable, net | 4,6&12 | 158,182 | 142,525 |
| Accounts receivable-related parties, net | 6,7&12 | 781 | 3,691 |
| Other receivables | 12 | 640 | 779 |
| Other receivables-related parties, net | 7&12 | 2,906 | 453 |
| Inventories, net | 4&6 | 25,376 | 27,334 |
| Prepayments | | 22,464 | 27,314 |
| Other current assets | | 3,187 | 2,715 |
| Total Current Assets | | 664,749 | 528,834 |
| NON-CURRENT ASSETS | | | |
| Financial assets at fair value through profit or loss, non current | 4,6&12 | 15,758 | 22,567 |
| Financial assets at fair value through other comprehensive income, non current | 4,6&12 | 20,724 | 25,279 |
| Investments accounted for using equity method | 4&6 | 301,109 | 256,645 |
| Property, plant and equipment | 4&6 | 173,849 | 179,068 |
| Investment property, net | 4&6 | 12,877 | 13,034 |
| Intangible assets | 4&6 | 2,116 | 1,583 |
| Deferred tax assets | 4&6 | 26,139 | 21,873 |
| Other noncurrent assets | 4&12 | 4,368 | 4,620 |
| Total Non-Current Assets | | 556,940 | 524,669 |
| TOTAL ASSETS | | $1,221,689 | $1,053,503 |

(continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | | As of December 31, | |
|---|---|---|---|
| | NOTES | 2020 | 2019 |
| **LIABILITIES AND EQUITY** | | | |
| CURRENT LIABILITIES | | | |
| Contract liabilities, current | 6 | $22,933 | $29,755 |
| Notes payable | 12 | 24 | 16 |
| Accounts payable | 12 | 75,872 | 79,547 |
| Accounts payable-related parties, net | 7&12 | 47,987 | 15,294 |
| Other payables | 12 | 75,551 | 55,197 |
| Other payables-related parties | 7 | 384 | 3,104 |
| Current tax liabilities | 4 | 25,618 | 8,130 |
| Other current liabilities | | 122 | 284 |
| Total Current Liabilities | | 248,491 | 191,327 |
| NON-CURRENT LIABILITIES | | | |
| Non-current provisions | 4&6 | 31,589 | 31,081 |
| Deferred tax liabilities | 4&6 | 2,455 | 3,776 |
| Total Non-Current Liabilities | | 34,044 | 34,857 |
| TOTAL LIABILITIES | | 282,535 | 226,184 |
| EQUITY | | | |
| Capital | 6 | | |
| Common stock | | 362,888 | 362,888 |
| Total Capital stock | | 362,888 | 362,888 |
| Additional paid-in capital | 6 | 46,759 | 46,759 |
| Retained earnings | | | |
| Legal reserve | | 264,613 | 257,163 |
| Special reserve | | 38,245 | 23,968 |
| Unappropriated earnings | | 270,616 | 174,786 |
| Total Retained earnings | | 573,474 | 455,917 |
| Other components of equity | | (43,967) | (38,245) |
| TOTAL EQUITY | | 939,154 | 827,319 |
| TOTAL LIABILITIES AND EQUITY | | $1,221,689 | $1,053,503 |

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| ITEM | NOTES | For the years ended December 31, 2020 | 2019 |
|---|---|---|---|
| OPERATING REVENUES | 4,6&7 | $1,024,853 | $949,215 |
| COST OF GOODS SOLD | 4&7 | (663,986) | (688,621) |
| GROSS PROFIT | | 360,867 | 260,594 |
| OPERATING EXPENSES | 4&7 | | |
| Sales and marketing expense | | (152,914) | (137,597) |
| General and administrative expense | | (51,973) | (45,856) |
| Total Operating Expense | | (204,887) | (183,453) |
| OPERATING INCOME | | 155,980 | 77,141 |
| NON-OPERATING INCOME AND EXPENSES | | | |
| Interest income | 6 | 1,348 | 3,192 |
| Other income | 6 | 3,913 | 4,102 |
| Other gains and losses | 6 | (7,564) | 21,230 |
| Financial cost | | - | (40) |
| Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method, net | | 52,913 | (8,007) |
| Subtotal | | 50,610 | 20,477 |
| INCOME BEFORE INCOME TAX | | 206,590 | 97,618 |
| INCOME TAX EXPENSE | 4&6 | (30,399) | (21,177) |
| PROFIT FROM CONTINUING OPERATIONS | | 176,191 | 76,441 |
| NET INCOME | | 176,191 | 76,441 |
| OTHER COMPREHENSIVE (LOSS) INCOME | 6 | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of defined benefit pension plans | | (899) | (2,671) |
| Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | | (4,555) | 1,312 |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method | | 339 | (13,930) |
| Income tax related to items that will not be reclassified subsequently | | 1,053 | 3,098 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (2,232) | (4,021) |
| TOTAL OTHER COMPREHENSIVE (LOSS) INCOME | | (6,294) | (16,212) |
| TOTAL COMPREHENSIVE INCOME | | $169,897 | $60,229 |
| Earnings per share (NTD) | | | |
| Basic earnings per share | 6 | | |
| Basic earnings (loss) per share from continuing operations | | 4.86 | 2.11 |

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| | | | Retained earnings | | | Other components of equity | | |
|---|---|---|---|---|---|---|---|---|
| | Capital | Additional paid-in capital | Legal reserve | Special reserve | Unappropriated earnings | Exchange differences on translation of foreign operations | Unrealized gains or losses on financial assets measured at fair value through other comprehensive income | Total equity |
| Balance as of December 31, 2019 | $362,888 | $46,759 | $251,247 | $11,697 | $165,642 | $(16,507) | $(7,461) | $814,265 |
| Appropriation and distribution of 2018 retained earnings: | | | | | | | | |
| Legal reserve | - | - | 5,916 | - | (5,916) | - | - | - |
| Special reserve | - | - | - | 12,271 | (12,271) | - | - | - |
| Cash Dividends | - | - | - | - | (47,175) | - | - | (47,175) |
| Net income for the year ended December 31, 2019 | - | - | - | - | 76,441 | - | - | 76,441 |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | (1,935) | (4,021) | (10,256) | (16,212) |
| Total comprehensive income | - | - | - | - | 74,506 | (4,021) | (10,256) | 60,229 |
| Balance as of December 31, 2019 | $362,888 | $46,759 | $257,163 | $23,968 | $174,786 | $(20,528) | $(17,717) | $827,319 |
| Balance as of January 1, 2020 | $362,888 | $46,759 | $257,163 | $23,968 | $174,786 | $(20,528) | $(17,717) | $827,319 |
| Appropriation and distribution of 2019 retained earnings: | | | | | | | | |
| Legal reserve | - | - | 7,450 | - | (7,450) | - | - | - |
| Special reserve | - | - | - | 14,277 | (14,277) | - | - | - |
| Cash dividends | - | - | - | - | (58,062) | - | - | (58,062) |
| Net income for the year ended December 31, 2020 | - | - | - | - | 176,191 | - | - | 176,191 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | (572) | (2,232) | (3,490) | (6,294) |
| Total comprehensive income | - | - | - | - | 175,619 | (2,232) | (3,490) | 169,897 |
| Balance as of December 31, 2020 | $362,888 | $46,759 | $264,613 | $38,245 | $270,616 | $(22,760) | $(21,207) | $939,154 |

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

Note:

The Company recognized the employees' compensation and remuneration to directors and supervisors on December 31, 2020 were NT$2,108 thousand and NT$2,108 thousand, respectively.

The Company recognized the employees' compensation and remuneration to directors and supervisors on December 31, 2019 were NT$996 thousand and NT$996 thousand, respectively.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LIMITED

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| ITEM | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income before tax | $206,590 | $97,618 |
| Adjustments to reconcile net income before tax to net cash provided by operating activities: | | |
| Depreciation expense | 10,836 | 11,999 |
| Amortization expense | 1,379 | 1,384 |
| Net loss on financial assets or liabilities at fair value through profit or loss | 6,809 | (22,025) |
| Interest expense | - | 40 |
| Interest income | (1,348) | (3,192) |
| Dividends income | (19) | - |
| Share of loss of associates and joint ventures accounted for using equity method | (52,913) | 8,007 |
| Gain on disposal of property, plant and equipment | (578) | - |
| Gain on disposal of intangible assets | (1,925) | - |
| Total adjustments to reconcile (loss) profit | (37,759) | (3,787) |
| Changes in operating assets and labilities: | | |
| Notes receivable | 685 | 270 |
| Accounts receivable | (15,657) | 25,633 |
| Accounts receivable-related parties | 2,910 | (2,788) |
| Other receivables | (1) | (22) |
| Other receivable-related parties | (2,453) | 79 |
| Inventories | 1,958 | (6,336) |
| Prepayments | 4,850 | (11,567) |
| Other current assets | (472) | 916 |
| Other non-current assets | (138) | - |
| Contract liabilities | (6,822) | 13,496 |
| Notes payable | 8 | - |
| Accounts payable | (3,675) | 3,351 |
| Accounts payable-related parties | 32,693 | (19,183) |
| Other payables | 20,354 | 4,745 |
| Other payables-related parties | (2,720) | 2,965 |
| Other current liabilities | (162) | (514) |
| Deferred tax liabilities | (899) | - |
| Provisions | 508 | 35 |
| Total changes in operating assets and liabilities | 30,967 | 11,080 |
| Cash generated from operations | 199,798 | 104,911 |
| Interest received | 1,488 | 4,492 |
| Dividends received | 6,256 | 11,227 |
| Interest expense paid | - | (40) |
| Income taxes paid | (17,445) | (25,650) |
| Net cash flows from operating activities | 190,097 | 94,940 |

| ITEM | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | (5,567) |
| Disposal of financial assets at fair value through profit or loss | - | 13,581 |
| Acquisition of property, plant and equipment | (5,648) | (37,974) |
| Disposal of property, plant and equipment | 1,085 | - |
| Acquisition of intangible assets | (2,237) | (745) |
| Disposal of intangible assets | 2,250 | - |
| Refundable deposits | 390 | 4,820 |
| Net cash used in investing activities | (4,160) | (25,885) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Receivable deposit | - | (24) |
| Cash dividends paid | (58,062) | (47,175) |
| Net cash used in financing activities | (58,062) | (47,199) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 127,875 | 21,856 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 323,197 | 301,341 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $451,072 | $323,197 |

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

## 1. HISTORY AND ORGANIZATION

Taiwan Kong King Co., Limited ("the Company") was incorporated commenced operations on June 14, 1977. The Company trades high-end technology equipment, sells raw materials, and provides customer services as an agent. The Company's registered office and the main business location is at 5F.-1, No.66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.). Wong's Kong King International (Holdings) Limited is the Company's parent and the ultimate controlling entity of the Company.

## 2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The parent company only financial statements of the Company were authorized for issued by the Company's Board of Directors' meeting on March 24, 2021.

## 3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

(a) *Covid-19-Related Rent Concessions (Amendment to IFRS 16)*

The Company elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after 1 January 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

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

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

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

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

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

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

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

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

(a) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and

Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

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

(b) IFRS 17 "Insurance Contracts"

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

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

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

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

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

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

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

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

*Amendment to IFRS 9 Financial Instruments*

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

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

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

*Amendment to IAS 41*

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

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

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

(f) Definition of Accounting Estimates – Amendments to IAS 8

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (f), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

### (2) Basis of preparation

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

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

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in thousands of New Taiwan Dollars ("NT$"), which is also the Company's functional currency.

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

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

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

(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

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

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

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

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading

(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

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

(a) Financial instruments: recognition and measurement

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

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

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

<u>Financial assets measured at amortized cost</u>

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

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

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

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

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

Financial asset at fair value through other comprehensive income

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

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

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

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

    I. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    II. Financial assets that are not purchased or originated credit-impaired financial

assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

(b) Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(d) Financial liabilities and equity instruments

<u>Classification between liabilities or equity</u>

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

<u>Equity instruments</u>

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial assets and liabilities

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

(8) Fair value measurement

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

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(9) Inventories

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

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

Raw materials – Purchase cost on a weighted-average-method basis

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

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

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

(10) Investment accounted for using equity method

The Company’s investment in subsidiaries is accounted for using the equity method according to article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted. The profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

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

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

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

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

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

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

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

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

| | |
|---|---|
| Buildings | 4～56 years |
| Machinery and equipment | 3～10 years |
| Transportation equipment | 4～6 years |
| Office equipment | 3～6 years |

Leasehold improvements 3～5 years

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

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

(12) Investment properties

The Company owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings 30～50 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company decides to transfer to or from investment properties based on the actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(13) Leases

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

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

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

Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

<u>Company as a lessor</u>

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

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

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

(14) Intangible Assets

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

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

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

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

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

<u>Computer software</u>

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

A summary of the policies applied to the Company's intangible assets is as follows:

| | Computer software |
|---|---|
| Useful lives | Finite |
| Amortization method used | Amortized on a straight-line basis over the estimated useful life |

Internally generated or acquired    Acquired

(15) Impairment of non-financial assets

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

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

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

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

(16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(17) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

A. Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is high-end machinery and revenue is recognized based on the consideration stated in the contract.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

B. Rendering of services

The Company provides maintenance services for the sale of high-end machinery. Such services are separately priced or negotiated, provided based on the numbers of operation. Accordingly, the Company recognized revenues when the Company satisfied a performance obligation at a point in time.

Most of the contractual considerations of the Company are collected evenly throughout the contract periods. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(18) Post-employment benefits

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

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

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

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

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

(19) Income taxes

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

<u>Current income tax</u>

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

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

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

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

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent company only financial statements:

Operating lease commitment－Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Accounts receivables–estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Cash on hand | $351 | $400 |
| Checking and savings accounts | 392,423 | 255,952 |
| Time deposits | 58,298 | 66,845 |
| Total | $451,072 | $323,197 |

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Mandatorily measured at fair value through profit or loss: | | |
| Foreign listed stocks | $15,758 | $22,567 |

Financial assets at fair value through profit or loss-noncurrent were not pledged.

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Equity instrument investment measured at fair value through other comprehensive profit and loss： | | |
| Unlisted stocks | $20,724 | $25,279 |

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

(4) Notes receivables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Notes receivables arising from operating activities | $141 | $826 |

Notes receivables were not pledged.

(5) Accounts receivables and account receivables-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Accounts receivables | $158,631 | $142,974 |
| Less: loss allowance | (449) | (449) |
| Subtotal | 158,182 | 142,525 |
| Accounts receivables-parties | 781 | 3,691 |
| Total | $158,963 | $146,216 |

Accounts receivables were not pledged.

Accounts receivable are generally on 30~150 day terms. As of December 31, 2020 and 2019, the book value were NT$159,412 thousand and NT$146,665 thousand, respectively. Please refer to Note 6. (14) for more details on loss allowance of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Merchandise inventories | $25,376 | $27,334 |

The cost of inventories recognized in expenses amounts to NT$555,396 thousand and NT$609,481 thousand for the years ended December 31, 2020 and 2019, including none of the write-down of inventories.

No inventories were pledged.

(7) Investments accounted for using equity method

The following table lists the investments accounted for using the equity method of the Company:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| Investee | Amount | % | Amount | % |
| Investment in subsidiaries: | | | | |
| Hong Kong Taiwan Kong King Limited | $100,495 | 99.99% | $79,059 | 99.99% |
| TKK Precision Co., Ltd | 125,303 | 100.00% | 122,266 | 100.00% |
| Headway Holdings Limited | 63,630 | 100.00% | 51,358 | 100.00% |
| THT Technology Co., Ltd | 11,681 | 94.50% | 3,962 | 94.50% |
| Total | $301,109 | | $256,645 | |

The investments in subsidiaries were disclosed under “Investments accounted for using the equity method" in the parent company only financial report and change in value were adjusted.

(8) Property, plant and equipment

| | Land | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| As of January 1, 2020 | $106,681 | $94,162 | $86,547 | $4,365 | $17,883 | $309,638 |
| Additions | - | 593 | 632 | 176 | 4,247 | 5,648 |
| Disposals | - | - | (9,200) | (135) | (2,665) | (12,000) |
| Transfers | - | - | - | - | - | - |
| As of December 31, 2020 | $106,681 | $94,755 | $77,979 | $4,406 | $19,465 | $303,286 |
| As of January 1, 2019 | $83,974 | $80,468 | $78,102 | $4,285 | $17,282 | $264,111 |
| Additions | 17,758 | 11,090 | 8,445 | 80 | 601 | 37,974 |
| Disposals | - | - | - | - | - | - |
| Transfers | 4,949 | 2,604 | - | - | - | 7,553 |
| As of December 31, 2019 | $106,681 | $94,162 | $86,547 | $4,365 | $17,883 | $309,638 |
| Depreciation and impairment: | | | | | | |
| As of January 1, 2020 | $7,000 | $33,213 | $70,580 | $4,013 | $15,764 | $130,570 |
| Depreciation | - | 3,123 | 5,899 | 255 | 1,402 | 10,679 |
| Disposals | - | - | (9,012) | (135) | (2,665) | (11,812) |
| Transfers | - | - | - | - | - | - |
| As of December 31, 2020 | $7,000 | $36,336 | $67,467 | $4,133 | $14,501 | $129,437 |
| As of January 1, 2019 | $7,000 | $29,170 | $63,516 | $3,591 | $14,125 | $117,402 |
| Depreciation | - | 2,696 | 7,064 | 422 | 1,639 | 11,821 |
| Disposals | - | - | - | - | - | - |
| As of December 31, 2019 | - | 1,347 | - | - | - | 1,347 |
| | $7,000 | $33,213 | $70,580 | $4,013 | $15,764 | $130,570 |
| Net carrying amount as at: | | | | | | |
| December 31, 2020 | $99,681 | $58,419 | $10,512 | $273 | $4,964 | $173,849 |
| December 31, 2019 | $99,681 | $60,949 | $15,967 | $352 | $2,119 | $179,068 |

No property, plant and equipment were pledged.

(9) Investment properties

| | Land | Buildings | Total |
|---|---|---|---|
| Cost: | | | |
| As of January 1, 2020 | $5,800 | $8,807 | $14,607 |
| Additions from acquisitions | - | - | - |
| Transfers from inventories and owner-occupied property | - | - | - |
| As of December 31, 2020 | $5,800 | $8,807 | $14,607 |
| | | | |
| As of January 1, 2019 | $10,749 | $11,411 | $22,160 |
| Additions from acquisitions | - | - | - |
| Transfers from inventories and owner-occupied property | (4,949) | (2,604) | (7,553) |
| As of December 31, 2019 | $5,800 | $8,807 | $14,607 |
| | | | |
| Depreciation and impairment: | | | |
| As of January 1, 2020 | $- | $1,573 | $1,573 |
| Depreciation | - | 157 | 157 |
| Transfer | - | - | - |
| As of December 31, 2020 | $- | $1,730 | $1,730 |
| | | | |
| As of January 1, 2019 | $- | $2,742 | $2,742 |
| Depreciation | - | 178 | 178 |
| As of December 31, 2019 | - | (1,347) | (1,347) |
| | $- | $1,573 | $1,573 |
| | | | |
| Net carrying amount as at: | | | |
| December 31, 2020 | $5,800 | $7,077 | $12,877 |
| December 31, 2019 | $5,800 | $7,234 | $13,034 |

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Rental income from investment property | $738 | $745 |
| Less: | | |
| Direct operating expenses from investment property generating rental income | (157) | (178) |
| Direct operating expenses from investment property not generating rental income | - | - |
| Total | $581 | $567 |

No investment properties were pledged.

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

The amounts were not assessed by an independent valuer. The fair values of the Company's investment property on December 31, 2020 and 2019 were NT$23,930~NT$25,986 thousand and NT$25,238~NT$28,043 thousand, which measured by the Company's management referring to information on the Department of Land Administration website and actual transactions in the neighborhood area.

(10) Intangible Assets

| | Computer software |
|---|---|
| Cost | |
| As of January 1, 2020 | $6,571 |
| Addition-acquired separately | 2,237 |
| Disposal | (500) |
| As of December 31, 2020 | $8,308 |
| | |
| As of January 1, 2019 | $6,277 |
| Addition-acquired separately | 745 |
| Disposal | (451) |
| As of December 31, 2019 | $6,571 |
| | |
| Amortization and impairment: | |
| As of January 1, 2020 | $4,988 |
| Amortization | 1,379 |
| Disposal | (175) |
| As of December 31, 2020 | $6,192 |
| | |
| As of January 1, 2019 | $4,055 |
| Amortization | 1,384 |
| Disposal | (451) |
| As of December 31, 2019 | $4,988 |
| | |
| Net carrying amount as of: | |
| December 31, 2020 | $2,116 |
| December 31, 2019 | $1,583 |

Amortization expense of intangible assets under the statement of comprehensive income:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Operating costs | $- | $- |
| Selling expenses | $324 | $324 |
| Administrative expenses | $1,055 | $1,060 |

(11) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company makes monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT$5,842 thousand and NT$5,429 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$1,080 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

As of December 31, 2020, and 2019, the Company expects its defined benefits plan obligation to become due in 2029.

Pension costs recognized in profit or loss are as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Current period service costs | $478 | $850 |
| Net interest on the net defined benefit liabilities (assets) | 214 | 251 |
| Total | $692 | $1,101 |

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Defined benefit obligation | $71,160 | $88,079 |
| Plan assets at fair value | (39,571) | (56,998) |
| Other non-current liabilities - Accrued pension liabilities (assets) recognized on the parent company only balance sheets | $31,589 | $31,081 |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability (assets) |
|---|---|---|---|
| As at January 1, 2019 | $83,879 | $(55,504) | $28,375 |
| Current period service costs | 850 | - | 850 |
| Net interest expense (income) | 755 | (504) | 251 |
| Subtotal | 85,484 | (56,008) | 29,476 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | (1,795) | - | (1,795) |
| Actuarial gains and losses arising from changes in demographic assumptions | | | |
| Experience adjustments | 6,127 | - | 6,127 |
| Remeasurements of defined benefit asset | - | (1,661) | (1,661) |
| Subtotal | 89,816 | (57,669) | 32,147 |
| Payments from the plan | (1,737) | 1,737 | - |
| Contributions by employer | - | (1,066) | (1,066) |
| As at December 31, 2019 | 88,079 | (56,998) | 31,081 |
| Current period service costs | 478 | - | 478 |
| Net interest expense (income) | 617 | (403) | 214 |
| Subtotal | 89,174 | (57,401) | 31,773 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | 2,689 | - | 2,689 |
| Experience adjustments | (830) | - | (830) |
| Remeasurements of defined benefit asset | - | (960) | (960) |
| Subtotal | 91,033 | (58,361) | 32,672 |
| Payments from the plan | (19,873) | 19,873 | - |
| Contributions by employer | - | (1,083) | (1,083) |
| Balance at December 31, 2020 | $71,160 | $(39,571) | $31,589 |

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

| | As of December 31, |
|---|---|

| | 2020 | 2019 |
|---|---|---|
| Discount rates | 0.30% | 0.70% |
| Expected rates of salary increase | 2.00% | 2.00% |

The following sensitivity analysis for significant assumption:

| | For the years ended December 31, 2020 | |
|---|---|---|
| | Increase defined benefit obligation | Decrease defined benefit obligation |
| Discount rate increases by 0.1% | $- | $686 |
| Discount rate decreases by 0.1% | 695 | - |
| Future salary increases by 0.1% | 605 | - |
| Future salary decreases by 0.1% | - | 599 |

| | For the years ended December 31, 2019 | |
|---|---|---|
| | Increase defined benefit obligation | Decrease defined benefit obligation |
| Discount rate increases by 0.5% | $- | $3,540 |
| Discount rate decreases by 0.5% | 3,796 | - |
| Future salary increases by 0.5% | 3,327 | - |
| Future salary decreases by 0.5% | - | 3,147 |

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

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

(12) Equities

A. Common stock

The Company’s authorized capital and issued capital was NT$450,000 thousand and NT$362,888 thousand as at December 31, 2020 and 2019, each at a par value of NT$10 for 36,289 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Additional paid-in capital | $36,000 | $36,000 |
| Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired / disposed of | 10,759 | 10,759 |
| Total | $46,759 | $46,759 |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

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

Details of the 2019 and 2018 earnings distribution and dividends per share as approved by the shareholders' meeting on June 15, 2020 and May 24, 2019, respectively, are as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Legal reserve | $7,450 | $5,916 | | |
| Special reserve | 14,277 | 12,271 | | |
| Common stock - cash dividend | 58,062 | 47,175 | $1.60 | $1.30 |

Please refer to Note 6. (15) for details on employees' compensation and remuneration to directors and supervisors.

(13) Operating revenues

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Sale of goods | $747,638 | $794,576 |
| Revenue arising from rendering of services | 277,215 | 154,639 |
| Total | $1,024,853 | $949,215 |

Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2020

| | Customer Service Dept | Electronics Dept | PCB Dept | Total |
|---|---|---|---|---|
| Sales revenue | $129,204 | $278,630 | $339,804 | $747,638 |
| Rendering of services | 69,070 | 23,387 | 184,758 | 277,215 |
| Total | $198,274 | $302,017 | $524,562 | $1,024,853 |
| Timing of revenue recognition: | | | | |
| At a point in time | $198,274 | $302,017 | $524,562 | $1,024,853 |

For the year ended December 31, 2019

| | Customer Service Dept | Electronics Dept | PCB Dept | Total |
|---|---|---|---|---|
| Sales revenue | $108,590 | $317,977 | $368,009 | $794,576 |
| Rendering of services | 36,763 | 19,330 | 98,546 | 154,639 |
| Total | $145,353 | $337,307 | $466,555 | $949,215 |
| Timing of revenue recognition: | | | | |
| At a point in time | $145,353 | $337,307 | $466,555 | $949,215 |

B. Contract balances

Contract liabilities - current

| | Beginning balance | Ending balance | Difference |
|---|---|---|---|
| Sales of goods | $29,755 | $22,933 | $(6,822) |

The significant changes in the Company’s balances of contract liabilities for the years ended December 31, 2020 and 2019 are as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| The opening balance transferred to revenue | $29,578 | $12,920 |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 22,756 | 26,416 |

(14) Expected credit losses/(gains)

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Operating expenses – Expected credit losses/(gains) | $- | $- |

The Company does not expect that any significant losses will incur because the counterparty fail to fulfill the agreement. Please refer to Note 12 for information of credit risks.

The Company measures the loss allowance of its accounts receivable (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company’s loss allowance as at December 31, 2020 and 2019 are as follow:

A. the loss allowance of accounts receivables is measured at an amount equal to lifetime expected credit losses, details are as follow

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Total carrying amount | $159,553 | $147,491 |
| Expected credit loss rates | 0.28% | 0.30% |
| Loss allowance | 449 | 449 |
| Total | $159,104 | $147,042 |

B. based on past experience, the Company considers its accounts receivables as a single group and its loss allowance is measured by using a provision matrix, details are as follow:

For the year ended December 31, 2020

| | | Overdue | | | | | |
|---|---|---|---|---|---|---|---|
| | Not yet due | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | Total |
| Gross carrying amount | $159,553 | $- | $- | $- | $- | $- | $159,553 |
| Loss ratio | 0.28% | | | | | | 0.28% |
| Lifetime expected credit losses | 449 | - | - | - | - | - | 449 |
| Total | $159,104 | $- | $- | $- | $- | $- | $159,104 |

For the year ended December 31, 2019

| | Not yet due | Overdue | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | <=30 days | 31-60 days | 61-90 days | 91-120 days | >=121 days | |
| Gross carrying amount | $147,491 | $- | $- | $- | $- | $- | $147,491 |
| Loss ratio | 0.30% | | | | | | 0.30% |
| Lifetime expected credit losses | 449 | - | - | - | - | - | 449 |
| Total | $147,042 | $- | $- | $- | $- | $- | $147,042 |

(15) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2020 and 2019:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Non-operating expenses | Total amount | Operating costs | Operating expenses | Non-operating expenses | Total amount |
| Employee benefits expense | | | | | | | | |
| Salaries | $15,172 | $148,472 | $- | $163,644 | $17,455 | $119,929 | $- | $137,384 |
| Labor and health insurance | 1,269 | 9,874 | - | 11,143 | 1,521 | 9,307 | - | 10,828 |
| Pension | 735 | 5,799 | - | 6,534 | 918 | 5,612 | - | 6,530 |
| Remuneration to directors | - | 1,622 | - | 1,622 | - | 776 | - | 776 |
| Other employee benefits expense | 964 | 5,519 | - | 6,483 | 1,066 | 5,036 | - | 6,102 |
| Depreciation | 5,464 | 5,215 | 157 | 10,836 | 5,329 | 6,492 | 178 | 11,999 |
| Amortization | - | 1,379 | - | 1,379 | - | 1,384 | - | 1,384 |

Note 1: As of December 31, 2020, and 2019, the number of the Company’s employee were 153 and 152, including 8 non-employee directors.

Note 2: The Company’s average benefits expense was NT$1,295 thousand and NT$1,117 thousand for the years ended December 31, 2020 and 2019, respectively. The Company’s average salaries and wages were NT$1,129 thousand and NT$954 thousand for the years ended December 31, 2020 and 2019, respectively. The Company's average salaries and wages in 2020 increased by 18.34% than 2019.

Note 3: Remuneration to supervisors was NT$486,479 thousand and NT$219,871 thousand for the years ended December 31, 2020 and 2019, respectively.

Note 4: The Company's salary and Remuneration policy: According to Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange, the Company's policy of remuneration to directors, supervisors and managers was passed by compensation committee. As long as the Company's directors perform the duties of the Company, regardless of whether the operating is gain or loss, the Company would give the remuneration. The remuneration to directors is given baced on the participation of the Company's operating, the contribution and the industry standard, and passed by meeting of Board of Directors. The remuneration to managers is given baced on the performance of the Company's operating and contribution of the duties, and passed by meeting of Board of Directors. Besides of the salaries, the Company would give the bonus to raise staff morale and make the outstanding employee stay baced on the condition of the anuual operating. The annual raise is reference to the industry standard, besides, the Company desides the adjustments and amounts baced on the employee's duty and performance.

Note 5: According to the Articles of Incorporation, 1%-8% of profit of the current year is distributable as employees' compensation, and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash and as remuneration to directors and supervisors only in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2020 to be 1% of profit of the current year, recognized as the employees' compensation and remuneration to directors and supervisors were both NT$2,108 thousand. The amounts of the employees' compensation and remuneration to directors and supervisors recognized for the year ended December 31, 2019 were both NT$996 thousand. The estimated amounts were based on the profit of current period and were recognized as salaries.

A resolution was passed at a board of Directors meeting held on March 24, 2020 to distribute NT$996 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2019, respectively. No material differences exict between the estimated amount and the actual distribution passed at the Board of Directors' meeting.

(16) Non-operating income and expenses

A. Interest income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial assets measured at amortized cost | $1,348 | $3,192 |

B. Other income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Rental income | $1,055 | $1,137 |
| Dividends income | 19 | - |
| Others | 2,839 | 2,965 |
| Total | $3,913 | $4,102 |

C. Other gains and losses

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Gains on disposal of property, plant and equipment | $578 | $- |
| Gains on disposal of intangible assets | 1,925 | - |
| Foreign exchange losses, net | (2,787) | (231) |
| Gains on financial assets at fair value through profit or loss (Note) | (6,809) | 22,025 |
| Others | (471) | (564) |
| Total | $(7,564) | $21,230 |

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss.

D. Finance costs

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Interest on borrowings from bank | $- | $40 |

(17) Components of other comprehensive income

For the year ended December 31, 2020

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | $(899) | $- | $(899) | $180 | $(719) |
| Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income | (4,555) | - | (4,555) | 911 | (3,644) |
| Share of profit of associates and joint ventures accounted for using equity method | 339 | - | 339 | (38) | 301 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (2,232) | - | (2,232) | - | (2,232) |
| Total | $(7,347) | $- | $(7,347) | $1,053 | $(6,294) |

For the year ended December 31, 2019

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit plans | $(2,671) | $- | $(2,671) | $534 | $(2,137) |
| Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income | 1,312 | - | 1,312 | (262) | 1,050 |
| Share of profit of associates and joint ventures accounted for using equity method | (13,930) | - | (13,930) | 2,826 | (11,104) |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (4,021) | - | (4,021) | - | (4,021) |

| | | | | | |
|---|---|---|---|---|---|
| Total | $(19,310) | $- | $(19,310) | $3,098 | $(16,212) |

(18) Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Current income tax expense (income): | | |
| Current income tax charge | $35,269 | $19,096 |
| Adjustments in respect of current income tax of prior periods | (336) | - |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | (4,534) | 2,081 |
| Total income tax expense | $30,399 | $21,177 |

Income tax recognized in other comprehensive income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Deferred tax expense (income): | | |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | $(911) | $262 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income of associates and joint ventures accounted for using equity method | 38 | (2,826) |
| Gains (losses) on remeasurement of defined benefit plan | (180) | (534) |
| Income tax relating to components of other comprehensive income | $(1,053) | $(3,098) |

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

| | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Pension | $9,474 | $(78) | $180 | $9,576 |
| Allowance for inventory valuation losses | 1,699 | - | - | 1,699 |
| Unrealized exchange losses (gains) | (50) | (41) | - | (91) |
| Unrealized salaries | 6,271 | 3,291 | - | 9,562 |
| Revaluations of financial assets at fair value through profit or loss | (3,693) | 1,362 | - | (2,331) |
| Revaluations of financial assets at fair value through other comprehensive income | 2,058 | - | 911 | 2,969 |
| Revaluations of financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method | 2,371 | - | (38) | 2,333 |
| Others | (33) | - | - | (33) |
| Deferred tax income | | $4,534 | $1,053 | |
| Deferred tax assets/(liabilities)-net | $18,097 | | | $23,684 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $21,873 | | | $26,139 |
| Deferred tax liabilities | $(3,776) | | | $(2,455) |

## For the year ended December 31, 2019

| | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Pension | $8,933 | $7 | $534 | $9,474 |
| Allowance for inventory valuation losses | 1,699 | - | - | 1,699 |
| Unrealized exchange losses (gains) | (62) | 12 | - | (50) |
| Unrealized salaries | 5,862 | 409 | - | 6,271 |
| Revaluations of financial assets at fair value through profit or loss | (1,184) | (2,509) | - | (3,693) |
| Revaluations of financial assets at fair value through other comprehensive income | 2,320 | - | (262) | 2,058 |
| Revaluations of financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method | (455) | - | 2,826 | 2,371 |
| Others | (33) | - | - | (33) |
| Deferred tax income | | $(2,081) | $3,098 | |
| Deferred tax assets/(liabilities)-net | $17,080 | | | $18,097 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $18,814 | | | $21,873 |
| Deferred tax liabilities | $(1,734) | | | $(3,776) |

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, the Company does not have unrecognized deferred tax assets.

The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2018 |

(19) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Given that the Company does not have potential common shares which have dilutive effects outstanding, the Company is not required to adjust basic earnings per share for dilution.

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $176,191 | $76,441 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 36,289 | 36,289 |
| Basic earnings per share (NT$) | $4.86 | $2.11 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

(1) Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
| --- | --- |
| TKK Precision Co., Ltd | Subsidiaries |
| THT Technology Co., Ltd | Subsidiaries |
| Hong Kong Taiwan Kong King Limited | Subsidiaries |
| Headway Holdings Limited | Subsidiaries |
| Hiking Technology (Suzhou) Co., Ltd | Subsidiaries |
| The Kong King Technology (Suzhou) Co., Ltd | Subsidiaries |
| Wong's Kong King Holdings Limited | Other related parties |
| WKK Japan Limited | Other related parties |
| WKK Thailand Ltd. | Other related parties |
| WKK China Limited | Other related parties |
| Taiwan WKK Distribution Co., Ltd. | Other related parties |

(2) Significant transactions with related parties

A. Sales

| | For the years ended December 31, | |
| --- | --- | --- |
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $58 | $31 |
| THT Technology Co., Ltd | - | 9 |
| Headway Holdings Limited | 728 | - |
| The Kong King Technology (Suzhou) Co., Ltd | 11,566 | 18,749 |
| Other related parties | | |
| WKK Thailand Ltd. | 72 | - |
| Total | $12,424 | $18,789 |

The sales of the Company to the related parties reference to no similar transactions. The terms of the transactions were agreed upon by both sides based on the market condition. The collection period for sales to related parties was month-end 1~2 months.

B. Purchases

| | For the years ended December 31, | |
| --- | --- | --- |
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $72,955 | $63,118 |
| THT Technology Co., Ltd | 6,036 | 9,667 |
| The Kong King Technology (Suzhou) Co., Ltd | 33 | - |
| Hiking Technology (Suzhou) Co., Ltd | - | 39 |
| Other related parties | | |
| WKK Japan Limited | 125,625 | 191,084 |
| WKK Thailand Ltd. | 2,261 | - |
| WKK China Limited | 53 | - |
| Total | $206,963 | $263,908 |

The purchase of the Company from related parties wasn't on discount price. The terms of the transactions were agreed upon by both sides based on the market condition. The collection period for sales to related parties was month-end 1~2 months.

(3) Amounts owed by related parties

A. Accounts receivables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $10 | $8 |
| THT Technology Co., Ltd | - | 9 |
| The Kong King Technology (Suzhou) Co., Ltd | 771 | 3,674 |
| Total | $781 | $3,691 |

B. Other receivables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $462 | $146 |
| THT Technology Co., Ltd | 571 | 244 |
| The Kong King Technology (Suzhou) Co., Ltd | 77 | - |
| Hong Kong Taiwan Kong King Limited | 1,796 | 63 |
| Total | $2,906 | $453 |

(4) Amounts owed to related parties

A. Account Payables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $25,601 | $11,738 |
| THT Technology Co., Ltd | 15,668 | 2,675 |
| Other related parties | | |
| WKK Japan Limited | 6,694 | 881 |
| Taiwan WKK Distribution Co., Ltd. | 24 | - |
| Total | $47,987 | $15,294 |

B. Other payables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $39 | $61 |
| THT Technology Co., Ltd | 186 | - |
| Other related parties | | |
| WKK Japan Limited | 159 | 3,043 |
| Total | $384 | $3,104 |

(5) Prepayments

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| THT Technology Co., Ltd | $13,500 | $540 |

(6) Service revenue

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $12 | $9 |
| THT Technology Co., Ltd | 2,508 | 233 |
| Hong Kong Taiwan Kong King Limited | 6,579 | 6,041 |
| Headway Holdings Limited | 28,564 | 18,654 |
| The Kong King Technology (Suzhou) Co., Ltd | 62 | 759 |
| Other related parties | | |
| WKK Japan Limited | 148,248 | 43,832 |
| Total | $185,973 | $69,528 |

(7) Rent income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| THT Technology Co., Ltd | $741 | $757 |

Rental period and rent collection method were in accordance with the contract provisions of the general rental period of 2 years, and the collection method was mainly on a monthly basis.

(8) Other revenue

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| TKK Precision Co., Ltd | $756 | $833 |
| THT Technology Co., Ltd | 72 | 72 |
| Headway Holdings Limited | 1,780 | 1,855 |
| Total | $2,608 | $2,760 |

(9) Interest income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Subsidiaries | | |
| Headway Holdings Limited | $221 | $61 |

(10) Asset transactions

For the year ended December 31, 2020

| Counterparty | Item | Amount | Gains on disposal of assets |
|---|---|---|---|
| Purchase | | | |
| Subsidiaries | | | |
| THT Technology Co., Ltd | Machinery and equipment | $177 | Not applicable |
| Disposal | | | |
| Subsidiaries | | | |
| The Kong King Technology (Suzhou) Co., Ltd | Machinery and equipment | 507 | 319 |

For the year ended December 31, 2019

| Counterparty | Item | Amount | Gains on disposal of assets |
|---|---|---|---|
| Purchase | | | |
| Subsidiaries | | | |
| WKK Japan Limited | Machinery and equipment | $5,677 | Not applicable |

(11) Cost of services

| | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| Subsidiaries | | |
| TKK Precision Co., Ltd | $1,409 | $657 |
| THT Technology Co., Ltd | 267 | 702 |
| The Kong King Technology (Suzhou) Co., Ltd | 64,654 | 33,542 |
| Other related parties | | |
| WKK Japan Limited | 1,113 | 1,393 |
| Total | $67,443 | $36,294 |

(12) Operating expenses

| | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| Subsidiaries | | |
| THT Technology Co., Ltd | $1 | $20 |
| TKK Precision Co., Ltd | 88 | 12 |
| Other related parties | | |
| WKK Japan Limited | 311 | 73 |
| Wong’s Kong King Holdings Limited | 356 | 901 |
| Total | $756 | $1,006 |

(13) Key management personnel compensation

| | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| Short-term employee benefits | $25,293 | $18,415 |
| Post-employment benefits | 440 | 249 |
| Total | $25,733 | $18,664 |

8. ASSETS PLEDGED AS SECURITY

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

None.

## 10. LOSSES DUE TO MAJOR DISASTERS

None.

## 11. SIGNIFICANT SUBSEQUENT EVENTS

None.

## 12. OTHERS

(1) Categories of financial instruments

| Financial assets | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial assets at fair value through profit or loss: | | |
| Designated at fair value through profit or loss | $15,758 | $22,567 |
| Financial assets at fair value through other comprehensive income | 20,724 | 25,279 |
| Financial assets measured at amortised cost (Note) | 617,727 | 475,668 |
| Total | $654,209 | $523,514 |

| Financial liabilities | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial liabilities at amortized cost: | | |
| Notes payable and accounts payables | $199,818 | $153,158 |

Note: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivables, other receivables and guarantee deposits paid.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency). The Company opened savings accounts for some foreign currency receivables and payments to manage foreign currency risk by adjusting exchange rate immediately. Also, the Company considered currency factors when making sales quotation to ensure a reasonable profit.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency RMB. The information of the sensitivity analysis is as follows:

(a) When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by NT$562 thousand and NT$1,093 thousand, respectively.
(b) When NTD strengthens/weakens against foreign currency JPY by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by NT$2,343 thousand and NT$1,271 thousand, respectively.
(c) When NTD strengthens/weakens against foreign currency RMB by 1%, the profit for the years ended December 31, 2020 and 2019 is decreased/increased by NT$344 thousand and NT$108 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under available-for-sale financial assets. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

For the year ended December 31, 2020, a change of 1% in the price of the listed company stocks classified as equity instruments investments measured at fair value through profit or loss could have an impact of NT$158 thousand on the equity attributable to the Company.

For the year ended December 31, 2019, a change of 1% in the price of the listed company stocks classified as equity instruments investments measured at fair value through profit or loss could have an impact of NT$226 thousand on the equity attributable to the Company.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company’s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company’s internal rating criteria etc. Certain counter parties’ credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2020 and 2019, amounts receivables from top ten customers represent 76.68% and 72.57% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company’s treasury in accordance with the Company’s policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses, for the loss allowance of accounts receivables is measured at lifetime expected credit losses.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and industrial information, the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As of Dec. 31, 2020 | | | | | |
| Notes payables | $24 | $- | $- | $ - | $24 |
| Accounts payables | 199,794 | - | - | - | 199,794 |
| | | | | | |
| As of Dec. 31, 2019 | | | | | |
| Notes payables | $16 | $- | $- | $ - | $16 |
| Accounts payables | 139,773 | 13,369 | - | - | 153,142 |

(6) Fair value of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12. (7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measure hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: unobservable inputs for the asset or liability

For assets and liabilities measured at fair value on a recurring basis, the Company re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

B. Fair value measurement hierarchy of the Company's assets

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets measured at fair value on a recurring basis is as follows:

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $15,758 | $- | $- | $15,758 |
| Financial assets at fair value through other comprehensive income | | | | |
| Investments in equity instruments designated at fair value through other comprehensive income | - | - | 20,724 | $20,724 |

| | As of December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $22,567 | $- | $- | $22,567 |
| Financial assets at fair value through other comprehensive income | | | | |
| Investments in equity instruments designated at fair value through other comprehensive income | - | - | 25,279 | 25,279 |

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | Assets |
|---|---|
| | At fair value through other comprehensive income |
| | Stocks |
| Beginning balances as at January 1, 2020 | $25,279 |
| Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | (4,555) |
| Ending balances as at December 31, 2020 | $20,724 |

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2020

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT$2,965 thousand |

| | As of December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
| Financial assets: | | | | | |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT$3,607 thousand |

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6. (9)) | $- | $- | $23,930~ 25,986 | $23,930~ 25,986 |

| | As of December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6.(9)) | $- | $- | $25,238~ 28,043 | $25,238~ 28,043 |

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | As of December 31, 2020 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $3,663 | 28.1000 | $102,930 |
| JPY | 987,747 | 0.2725 | 269,161 |
| EUR | 465 | 34.5600 | 16,070 |
| RMB | 7,987 | 4.3140 | 34,456 |
| HKD | 3 | 3.6251 | 11 |
| KRW | 36 | 0.0264 | 1 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 1,664 | 28.1000 | 46,758 |
| JPY | 127,850 | 0.2725 | 34,839 |
| EUR | 105 | 34.5600 | 3,629 |
| RMB | 3 | 4.3140 | 13 |

| | As of December 31, 2019 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $4,647 | 30.0400 | $139,595 |
| JPY | 530,653 | 0.2764 | 146,672 |
| EUR | 502 | 33.6600 | 16,897 |
| RMB | 2,741 | 4.3100 | 11,814 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $1,008 | 30.0400 | $30,280 |
| JPY | 70,909 | 0.2764 | 19,599 |
| EUR | 433 | 33.6600 | 14,574 |
| RMB | 225 | 4.3100 | 970 |

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

For the years ended December 31, 2020 and 2019, the Company’s foreign exchange gains/(losses) were NT$(2,787) thousand and NT$(231) thousand, respectively.

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURES

(1) Information at significant transactions

1 Financing provided to others：Please refer to Attachment 1
2 Endorsements/guarantees provided：None
3 Marketable securities held：Please refer to Attachment 2, 2-1
4 Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital：None
5 Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital：None
6 Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital：None
7 Total sales to or purchases from related parties amounting to at least NT$100 million or 20% of the paid-in capital：Please refer to Attachment 3
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

(2) Information on investees：Please refer to Attachment 4

(3) Information on investments in mainland China: Please refer to Attachment 5

(4) Information on major shareholders: Please refer to Attachment 6

14. OPERATING SEGMENT INFORMATION

In accordance with IFRS 8 *"Operating Department"*, the Company is not required to prepare operating segment information for parent company only financial statements, if the consolidated financial statements disclosed such information. The company has disclosed operating segment information in the consolidated financial statements.

Attachment 1 (Financing provided to others as of December 31, 2020)

Unit: Amount in thousands of NTD

| No (Note 1) | Creditor | Borrower | General Leger account | Related party | Maximum outstanding balance during the year ended December 31, 2020 | Balance at December 31, 2020 (Credits approved by the Boards) | Actual amount | Interest rate% | Nature for Financing | Reason for Financing | Loss Allowance | Collateral | Financing Limits for Each Borrowing Company (Note 2) | Financing Company's Total Financing Amount Limits (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Taiwan Kong King Co., Limited | Headway Holdings Limited | Other recievables | yes | $54,500 | $54,500 | $- | 0.80% | Due to short-term financing | Need for operating | $- | - | $93,915 | $375,662 |

Note 1：The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2：The limits and the calculation is based on the 10% of equity of report audited by the auditors.

Note 3：The limits and the calculation is based on the 40% of equity of report audited by the auditors.

Attachment 2 (Securities held as of December 31, 2020)

Unit: Amount in thousands of NTD or JPY
(Except for the shares or units)

| Holding Company Name | Type and Name of Securities | Relationship | Financial statement account | December 31, 2020 | | | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying amount | Percentage of ownership(%) | Fair value/ Net assets value | |
| Taiwan Kong King Co., Limited | Foreign listed stocks<br>Inspec Limited | - | Financial assets at fair value through profit or loss, noncurrent | 23,700 | JPY 57,828 | 0.65% | JPY 2,440 | - |
| Taiwan Kong King Co., Limited | Unlisted stock<br>Raytek Semiconductor, Inc. | - | Financial assets at fair value through other comprehensive income, noncurrent | 3,056,689 | $20,724 | 2.60% | $20,724 | (Note 1) |
| Taiwan Kong King Co., Limited | Unlisted stock<br>Hong Kong Taiwan Kong King Limited | Investments accounted for under the equity method | Investments accounted for using equity method | 26,209,999 | 100,495 | 99.99% | - | (Note 1) |
| Taiwan Kong King Co., Limited | Unlisted stock<br>TKK Precision Co., Ltd. | Investments accounted for under the equity method | Investments accounted for using equity method | 6,237,000 | 125,303 | 100.00% | - | (Note 1) |
| Taiwan Kong King Co., Limited | Unlisted stock<br>Headway Holdings Limited | Investments accounted for under the equity method | Investments accounted for using equity method | 1,100,000 | 63,630 | 100.00% | - | (Note 1) |
| Taiwan Kong King Co., Limited | Unlisted stock<br>THT Technology Co., Ltd. | Investments accounted for under the equity method | Investments accounted for using equity method | 4,725,000 | 11,681 | 94.50% | - | (Note 1) |

Note 1: No market price.

Attachment 2-1 (Securities held as of December 31, 2020)

Unit: Amount in thousands of NTD
(Except for the shares or units)

| Holding Company Name | Type and Name of Securities | Relationship | Financial statement account | December 31, 2020 | | | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying amount | Percentage of ownership(%) | Fair value/ Net assets value | |
| Hong Kong Taiwan Kong King Limited | Stocks<br>Leetech International Co., Ltd. | - | Financial assets at fair value through other comprehensive income, noncurrent | 152,000 | $- | 19.00% | $- | (Note 1) |
| Hong Kong Taiwan Kong King Limited | Stocks<br>Top Range Machinery Co., Ltd. | - | Financial assets at fair value through other comprehensive income, noncurrent | 1,516,606 | 4,687 | 9.03% | 4,687 | (Note 1) |
| Hong Kong Taiwan Kong King Limited | Stocks<br>The Kong King Technology (Suzhou) Co., Ltd. | Second-tier subsidiary | Investments accounted for using equity method | 2,500,000 | 78,964 | 100.00% | - | (Note 1) |
| Headway Holdings Limited | Stocks<br>Hiking International Co. Ltd. | Second-tier subsidiary | Investments accounted for using equity method | 12,636,000 | 35,445 | 100.00% | - | (Note 1) |
| Hiking International Co. Ltd | Stocks<br>Hiking Technology (Suzhou) Co., Ltd. | Third-tier subsidiary | Investments accounted for using equity method | 1,623,700 | 37,004 | 100.00% | - | (Note 1) |

Note 1: No market price.

Attachment 3 (Total sales to or purchases from related parties amounting to at least NT$100 million or 20% of the paid-in capital)

Unit: Amount in thousands of NTD

| Purchaser / Seller | Counterparty | Relationship with the counterparty | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (Sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| Taiwan Kong King Co., Limited | WKK Japan Limited | Other related parties | Purchases | $125,625 | 22.68% | 30 days | Note | Note | $(6,694) | 5.40% | |

Note：No material differences between other transactions.

Attachment 4 (Names, locations and related information of investee companies as of December 31, 2020)

Unit: Amount in thousands of NTD
(Except for the shares or units)

| Investor Company | Investee Company | Location | Main Businesses and Products | Initial Investment | | Investment as of December 31, 2020 | | | Net income (loss) of investee company | Investment income(loss) recognized | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Number of shares | Percentage of ownership (%) | Carrying Amount | | | |
| Taiwan Kong King Co., Limited | Hong Kong Taiwan Kong King Limited | Hong Kong | Electronic components trading etc. | $114,505 | $114,505 | 26,209,999 | 99.99% | $100,495 | $22,727 | $22,753 | Subsidiary |
| Taiwan Kong King Co., Limited | TKK Precision Co., Ltd. | R.O.C | Electronic components manufacturing, electronic materials trading and testing, and machinery and equipment retailing | 90,530 | 90,530 | 6,237,000 | 100.00% | 125,303 | 10,956 | 9,127 | Subsidiary |
| Taiwan Kong King Co., Limited | Headway Holdings Limited | Samoa | Electronic components trading etc. | 36,076 | 36,076 | 1,100,000 | 100.00% | 63,630 | 4,267 | 13,314 | Subsidiary |
| Taiwan Kong King Co., Limited | THT Technology Co., Ltd. | R.O.C | Machinery, equipment retailing and electronic components manufacturing etc. | 47,250 | 47,250 | 4,725,000 | 94.50% | 11,681 | 8,064 | 7,719 | Subsidiary |
| Hong Kong Taiwan Kong King Limited | The Kong King Technology (Suzhou) Co., Ltd. | China | Electronic materials, machinery and precision equipment retailing, information software service and international trade business | 49,538 | 49,538 | 2,500,000 | 100.00% | 78,964 | 27,232 | (Note 1) | Second-tier Subsidiary |
| Headway Holdings Limited | Hiking International Co. Ltd. | Hong Kong | Investment holding | 27,764 | 27,764 | 12,636,000 | 100.00% | 35,445 | (5,232) | (Note 1) | Second-tier Subsidiary |
| Hiking International Co. Ltd. | Hiking Technology (Suzhou) Co., Ltd. | China | Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service | 57,408 | 27,764 | 1,623,700 | 100.00% | 37,004 | (4,980) | (Note 1) | Third-tier Subsidiary |

Note 1 : Subsidiaries and investments accounted for under the equity method were not invested directly by the Company is not required to disclose.

Attachment 5 (Investment in Mainland China as of December 31, 2020)

Unit: Amount in thousands of NTD

| Investee Company | Main Businesses and Products | Total amount of paid-in capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020 | Investment Flows | | Accumulated outflow of investment from Taiwan as of December 31, 2020 | Percentage of ownership | Investment income (loss) recognized (Note 2) | Carrying amount as of December 31, 2020 | Accumulated inward remittance of earnings as of December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | |
| Hiking Technology (Suzhou) Co., Ltd. | Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service | $52,700 | (Note 1.(2)) | $27,764 | $- | $- | $27,764 | 100% | $(4,980) (Note 2.(2).c) | $37,004 | $- |
| The Kong King Technology (Suzhou) Co., Ltd. | Electronic materials, machinery and precision equipment retailing, information software service and international trade business | 82,038 | (Note 1.(1)) | 49,538 | - | - | 49,538 | 100% | 27,232 (Note 2.(2).c) | 78,964 | - |

| Accumulated investment in Mainland China as of December 31, 2019 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment |
|---|---|---|
| $77,302 | $108,264 | $563,492 |

Note 1：The methods for engaging in investment in Mainland China include the following:

(1) Remittance from third-region companies to invest in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region.

(3) Through transferring the investment to third-region existing companies then investing in Mainland China.

(4) Others.

Note 2：Information of the investment income (loss) recognized in current period include the following:

(1) Noted when investment income (loss) was not showed as the financial statement is not yet prepared.

(2) The investment income (loss) were determined based on the following basis:

a. The financial report was audited by an international certified public accounting firm in cooperation with an R.O.C accounting firm.

b. The financial statements were audited by the auditors of the parent company.

c. Others.

2. Significant transactions with directly investment in Mainland China or indirectly investment in Mainland China through companies registered in a third region:

(1) The amounts and percentage of the sales and the balance and percentage of the accounts receivable:

| Year | Company | Sales Amounts | Percentage of the Company's Sales | Balance of Accounts Receivable | Percentage of the Company's Accounts Receivable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $11,566 | 1.55% | $771 | 0.48% |

(2) The amounts and percentage of the purchase and the balance and percentage of the accounts payable:

| Year | Company | Purchase Amounts | Percentage of the Company's Purchase | Balance of Accounts Payable | Percentage of the Company's Accounts Payable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $33 | 0.01% | $- | 0.00% |

(3) Provision of services:

| Year | Company | Amounts of Service Revenue | Percentage of the Company's Service Revenue | Balance of Accounts Receivable | Percentage of the Company's Accounts Receivable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $62 | 0.02% | $771 | 0.48% |

(4) Receipt of services:

| Year | Company | Amounts of Service Costs | Percentage of the Company's Service Costs | Balance of Accounts Payable | Percentage of the Company's Accounts Payable |
|---|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | $64,654 | 60.21% | $- | 0.00% |

(5) The amounts and gains or losses from asset transactions:

| Year | Company | Items | Amounts | Gains (losses) on disposal of assets |
|---|---|---|---|---|
| 2020 | The Kong King Technology (Suzhou) Co., Ltd. | Machinery and equipment | $507 | $319 |

(6) The ending balance and purpose of the endorsement, guarantee or securities: None.

(7) Maximum outstanding balance during the year, ending balance, interest rate range and interest of the financing provided: None.

(8) Other significant transactions impacted the net income or the financial performance for the year: None.

Attachment 6 (Information on Major Shareholders as of December 31, 2020)

| Shareholders | Share | | | |
|---|---|---|---|---|
| | Common Stock | Preferred Stock | Total Shares Owned | Share Ownership Percentage |
| Wong's Kong King International (Holdings) Ltd | 24,473,836 | - | 24,473,836 | 67.44% |

Note 1: Major shareholders shows the list of all shareholders with ownership of 5 percent or greater.

5. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

# VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status in the most recent 2 fiscal years

A. Analysis of Financial Status：(difference up to 20% and up to NT$10,000,000)

Units: NT$Thousands

| Item \ Year | 2019 | 2020 | Difference | | Remarks |
|---|---|---|---|---|---|
| | | | Amount | % | |
| Current Assets | 782,697 | 1,012,451 | 229,754 | 29.35 | Note 1 |
| Fixed Assets | 245,729 | 229,677 | (16,052) | -6.53 | |
| Other noncurrent assets | 86,734 | 77,663 | (9,071) | -10.46 | |
| Total Assets | 1,115,160 | 1,319,791 | 204,631 | 18.35 | |
| Current Liabilities | 250,780 | 345,348 | 94,568 | 37.71 | Note 2 |
| Total Non-Current Liabilities | 36,831 | 34,609 | (2,222) | -6.03 | |
| Total Liabilities | 287,611 | 379,957 | 92,346 | 32.11 | Note 3 |
| Capital stock | 362,888 | 362,888 | 0 | - | |
| Capital surplus | 46,759 | 46,759 | 0 | - | |
| Retained Earnings | 455,917 | 573,474 | 117,557 | 25.78 | Note 4 |
| Other components of equity | (38,015) | (43,287) | (5,272) | 13.87 | |
| Total Stockholders' Equity | 827,549 | 939,834 | 112,285 | 13.57 | |

Analysis of changes in financial ratios (Consolidated)

Note 1. Current assets increased mainly due to the increase in cash and cash equivalents.

Note 2. Current liabilities increase mainly due to the increase in accounts payable.

Note 3. Total liabilities increase mainly due to the increase in accounts payable.

Note 4. Retained earnings increased mainly due to the increase in operating revenue.

2. Analysis of Operating Status

A. Analysis of Financial Status: (difference up to 20% and up to NT$10,000,000)

Units: NT$Thousands

| Year / Item | 2019 | | 2020 | | Differenc | Diff % | Remarks |
|---|---|---|---|---|---|---|---|
| | Amount | Total | Amount | Total | | | |
| Gross Sales | 1,154,427 | | 1,390,150 | | 235,723 | 20.42 | Note 1 |
| Less: Sales Returns | (84) | | (3,362) | | (3,278) | 3902.38 | |
| Sales Allowances | (115) | | (388) | | (273) | 237.39 | |
| Net Sales | | 1,154,228 | | 1,386,400 | 232,172 | 20.11 | Note 2 |
| Cost of Sales | | (813,283) | | (887,677) | (74,394) | 9.15 | |
| Gross Profit | | 340,945 | | 498,723 | 157,778 | 46.28 | Note 3 |
| Affiliated company realized benefits | | | | | | | |
| Operating Expenses | | (274,282) | | (295,752) | (21,470) | 7.83 | |
| Operating Income | | 66,663 | | 202,971 | 136,308 | 204.47 | Note 4 |
| Non-oper. Inc. and exp. | | 32,486 | | 7,151 | (25,335) | -77.99 | Note 5 |
| Pre-tax profit of continuing business units | | 99,149 | | 210,122 | 110,973 | 111.93 | Note 6 |
| Income tax paid | | (22,947) | | (33,481) | (10,534) | 45.91 | Note 7 |
| Net profit after tax of continuing business units | | 76,202 | | 176,641 | 100,439 | 131.81 | Note 8 |

Analysis of changes in financial ratios: (Consolidated)

Note 1. Gross Sales increased mainly due to the increase in sales and service revenue.

Note 2. Net Sales increased mainly due to the increase in sales and service revenue.

Note 3. Gross Profit increase mainly due to the increase in sales and service revenue.

Note 4. Operating Income increased mainly due to the increase in sales and service revenue.

Note 5. Non-operating income and expense increase.

Note 6. Pre-tax profit of continuing business units increase mainly due to the increase in sales.

Note 7. Income tax increase mainly due to the increase in operating Income.

Note 8. Net profit after tax of continuing business units increase mainly due to the increase in sales.

B. Analysis of changes in operating gross profit：

| | The amount of increase/decrease compared to the previous period | Reasons for difference | | | |
|---|---|---|---|---|---|
| | | Sales Price | Cost Price | Sales mix | Quantity |
| Operating gross profit | 157,778 | 232,172 | 74,394 | - | - |
| Analysis | Operating gross profit decreased mainly due to the decrease in operating income. | | | | |

3. Cash Flow:

A. Liquidity analysis in the most recent 2 fiscal years (difference up to 20%)

| Year / Item | Dec 31, 2019 | Dec 31, 2020 | Diff % |
|---|---|---|---|
| Cash Flow Ratio (%) | 44.15 | 73.83 | 67.23 |
| Cash Flow Adequacy Ratio | 108.74 | 122.62 | 12.76 |
| Cash Reinvestment Ratio | 10.78 | 16.23 | 50.56 |

Analysis of financial ratio change: (Consolidated)
1. Cash flow ratio increase mainly due to the increase in net cash flows from operating activities.
2. Cash reinvestment ratio increase mainly due to the increase in net cash flows from operating activities.

B. Cash flow forecast analysis

Unit: NT$ thousands

| Cash and Cash Equivalents, Beginning of Year (1) | Net Cash Flow from Operating Activities (2) | Cash Outflow (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Leverage of Cash Deficit | |
|---|---|---|---|---|---|
| | | | | Investment Plans | Financing Plans |
| 710,147 | 250,000 | 200,000 | 760,147 | - | - |

Note: The cash flow from operating activities is expected to be 250,000,000 in the coming year. It is estimated that the cash outflow of investment activities in the coming year will be NT$100,000,000 and the cash outflow from financing activities will be NT$100,000,000.

4. Major capital expenditures during the most recent fiscal year：None.

5. Reinvestment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year: None.

6. Risk analysis of the following matters in the most recent year and the up to date of

publication of the annual report:

A. The organizational structure of the company's various risk management, its implementation and responsible units are as follows:

(1) Board of Directors: Keep in line with relevant government laws and regulations, review the company's relevant management measures, and ensure the effectiveness of the company's operating rights and operational risk management.

(2) General Manager’s Room: Mainly responsible for the decision-making risk, network information security and operational risk assessment and implementation of the responsible strategy, supervising and coordinating the relevant matters of each department.

(3) Audit Division: Mainly focused on the company's objectives, risk tolerance and strategy, and actively assists the company's managers to deal with all the risks associated with the entire enterprise.

(4) Management Division: Responsible for the company's legal risk, company and employee crisis management, asset management risk assessment and implementation strategy.

(5) Finance Division: Mainly responsible for the assessment and control of interest rate, exchange rate and financial risk, liquidity risk and credit risk. It is the responsible unit for the assessment and execution of relevant financial risk management of the Company.

B. The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future: None.

(1) The change in interest rate has no impact on the Company as the Company has no short-term and long-term borrowings.

(2) Measures to avoid exchange rate fluctuations are as follows:

- Open a foreign currency deposit account and adjust the foreign currency position at any time to avoid exchange rate risk.

- Keep track of exchange rate changes and keep close contact with current banks to fully understand the trend of exchange rates.
- Consider the foreign exchange rate factor when selling the goods to protect the company's reasonable profits.

(3) Effect of inflation on the Company's profit/loss: None.

C. Research and development work to be carried out in the future, and further expenditures expected for research and development work: The Company has none of the above situations.

D. Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: Important domestic and international policies and legal changes did not have a significant impact on the financial aspects of the company in 2020 and the up to the date of publication of the annual report.

E. Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: The external transfer of the industry will have an impact on the company's performance. Hence, the company has gradually expanded its services to Chinese Taiwanese companies and introduced high-end products to serve Taiwanese customers in order to create barriers to entry.

F. Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: None.

G. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: Not applicable, as the Company did not conduct any M & A activity in 2020.

H. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: Not applicable, as the company has not expanded its plant in 2020.

I. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: The Company's sales or purchasing operations is not consolidated in the case of a specific customer or manufacturer.

J. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None of the above-mentioned personnel has a major quantity of shares being transferred.

K. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: The major shareholders of the Company holds 67.44% of total shares and there are no plans on share transfers, hence the Company’s management rights are stable.

L. For litigious and non-litigious matters, the directors, supervisors, general managers and substantial principals of the company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non-litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price: None.

M. Other important risks, and mitigation measures being or to be taken:

Information security risk evaluation and analysis: For the purposes of carrying out information securtiy management, we have developed a managerial approach named "Electronic Data Processing Cycle" to specify safe operation policy. Our information server room has set up an access control device to ensure confidentiality of data. Furthermore, we also set up applicable fire service equipment and independent air-conditioners to maintain appropriate temperature and humidity, along with voltage regulator and uninterrupted power system to maintain stable operation of information center. We have backup and remote backup for internal system, along with disaster recovery exercises for servers every year to reduce risks of interrupted operation due to unexpected natural disaster or intentional neglitence. Besides, we execute information communication security checks pursuant to the "electronic data processing cycle" by setting firewall and antivirus software to avoid hacker or virus attack, also, our Information Technology Department test and maintain network on a regular basis. We have never encountered any information security risk event that caused material negative impact on operation and business in 2020 and as of the date of printing the financial statement in 2021.

7. Other important matters:

A. Basis for evaluation of the method of listing the assets and liabilities assessment, the basis and the main reasons for its occurrence:

(1) Basis for the assessment of the provision for bad debts, the basis and the main reasons for its occurrence: Based on the experience of bad debts in the past, the aging of the receivables on the balance sheet date and the assessment of the possibility of recovery are presented.

(2) Basis for the assessment of the provision for impairment of inventories, the basis and the main reasons for the inventories: The inventories are evaluated on each basis for the cost and net realizable value.

(3) Basis for the assessment of financial assets allowance and the main reasons for its occurrence:

- The financial assets and liabilities included in the profit and loss of changes in the fair value of the Company are derivative financial products that fail to meet the hedge accounting. When it is initially recognized, it is measured by fair value, and in the subsequent evaluation, the change in fair value is recognized as the profit and loss for the current year. When purchasing or selling financial assets in accordance with trading practices, the settlement date is used for accounting. The fair value of derivative financial products is estimated by the evaluation method; if the fair value is positive, it is classified as financial asset, whereas if the fair value is negative, it is classified as financial liabilities.
- There is no reason due to no occurrence of the aforementioned situation.

B. Financial products other than stocks and depositary receipts are determined by the fair value of purchase price or the selling price.

C. Hedge accounting: not applicable.

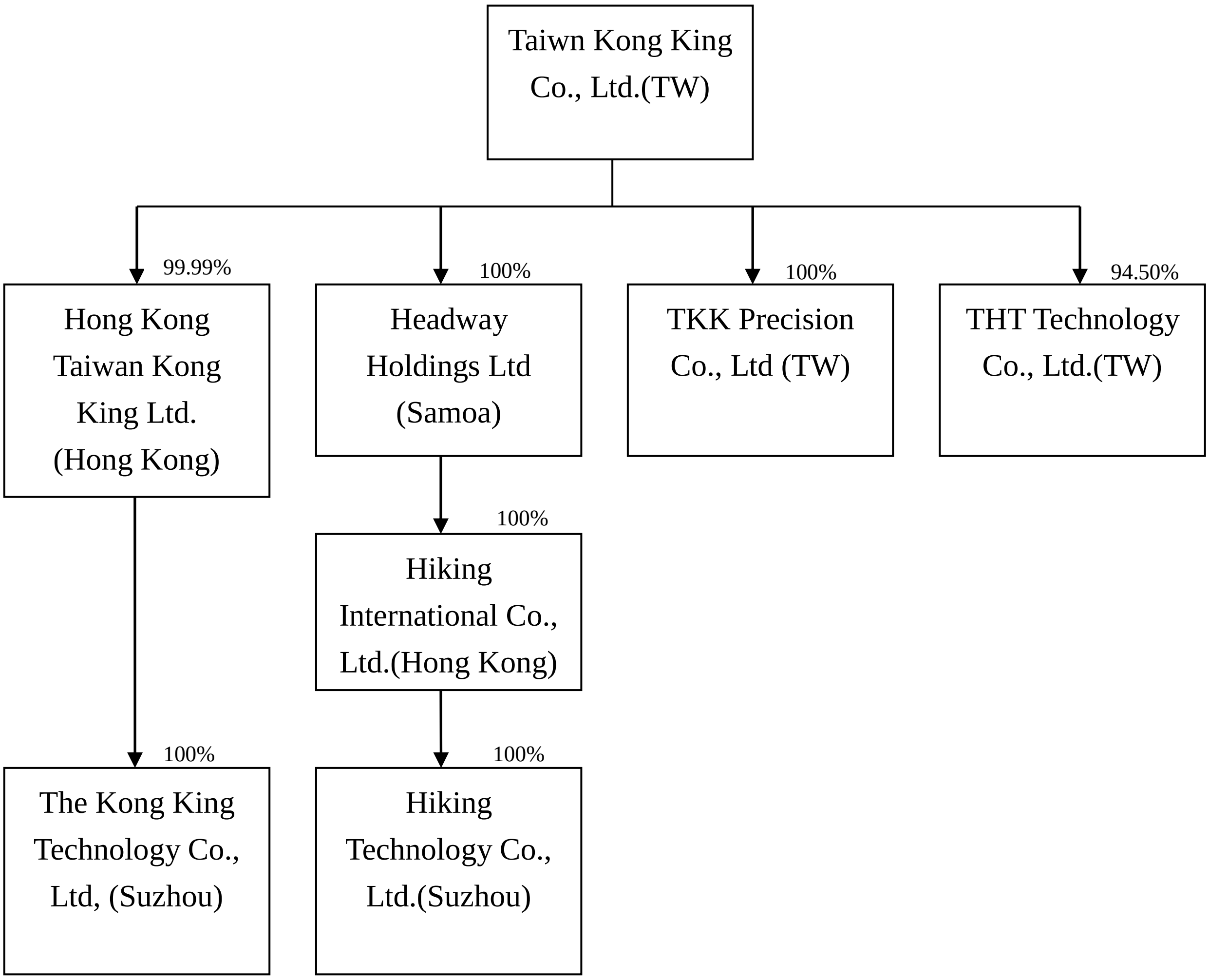
# VIII. Special Disclosure

1. Information related to the company's affiliates

   A. Consolidated Business Report of affiliate companies

      (1) Organizational Chart of affiliate companies：

Taiwn Kong King Co., Ltd.
Organizational Chart of affiliate companies



## (2) Basic Information of affiliate companies

Units: NT$thousand; HKD; RMB;USD

| Name | Date of incorporation | Address | Paid-In Capital | Type of business or manufacturing product |
|---|---|---|---|---|
| Taiwn Kong King Co., Ltd. | Jun 14, 1977 | 5F.-4, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.) | NT$362,888 | 1. Sales agent and after-sales service of printed circuit board equipment.<br>2. Provides sales agency and after-sales services for semiconductor packaging and electronic assembly equipment. |
| TKK Precision Co., Ltd.(Taiwan) | Apr 24, 2001 | 2F., No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.) | NT$62,370 | Electronic components manufacturing, electronic materials trading, wholesale and retail of mechanical equipment, testing of electronic components. |
| Hong Kong Taiwan Kong King Ltd. (Hong Kong) | May 17, 1990 | 17/F, Octa Tower, No. 8 Lam Chak Street, Kowloon Bay, Hong Kong | HKD 26,210,000 | Electronic components trading |
| Headway Holdings Ltd. (Samoa) | Jan 18, 2002 | Offshore Chambers, P.O.Box 217, Apia, Samoa | USD 1,100,000 | Electronic components trading |
| Hiking International Co., Ltd. ( Hong Kong) | Jun 24, 2002 | 17/F, Octa Tower, No. 8 Lam Chak Street, Kowloon Bay, Hong Kong | HKD 12,636,000 | Investment holding |
| Hiking Technology Co., Ltd. (Suzhou) | Oct 18, 2002 | ROOM 108, BUILDING 1-A, NO.336 FENGLI STREET,SUZHOU INDUSTRIAL PARK, JIANGSU, CHINA | RMB 12,208,000 | Design, manufacture, process and test printed circuit board process equipment, test heads and other related products, sell company products and provide after-sales service. |
| THT Technology Co., Ltd. (Taiwan) | Mar 8,2006 | 3F.-2, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.) | NT$50,000 | 1. Electronic components, general instrument manufacturing<br>2. International trade (limited to related products on manufacturing and processing) |

| Name | Date of incorporation | Address | Paid-In Capital | Type of business or manufacturing product |
|---|---|---|---|---|
| The Kong King Technology Co., Ltd, (Suzhou) | Feb 5, 2008 | ROOM 108, BUILDING 1-A, NO.336 FENGLI STREET,SUZHOU INDUSTRIAL PARK, JIANGSU, CHINA | RMB 17,357,000 | 1. Sales agent and after-sales service of printed circuit board equipment.<br>2. Provides sales agency and after-sales services for semiconductor packaging and electronic assembly equipment. |

(3) Shareholders presumed to have control and subordinate relationship with the same information

| Presumption reason | Name (Note 1) | Shareholding(Note 2) | | Date of Establishment | Address | Paid-In Capital | Type of business |
|---|---|---|---|---|---|---|---|
| | | Shares | % | | | | |
| 【None】 | | | | | | | |

Note 1: If the corporate shareholders are the same, fill in the name of the corporation; if the natural person shareholder is the same, fill in the name of the natural person. Natural person shareholders only need to fill in the presumption reason, the name and number of shares.

Note 2: The holding of shares is filled in the information of shareholder's shareholding on the controlled company.

(4) Overall related industries covered by business operations

- Machine and components manufacturing, import/export and sales
- Sales and import/export of chemical, printed materials and electronic printing machinery.
- Market development, investment holding and trade distribution business.

(5) The division of labor in business operations of affiliated companies:

- Taiwan Kong King Co., Ltd. is a professional import and export agent, which provide sales and after-sales service of all kinds of electronic equipment spare parts and materials. It mainly deals in industrial related sales business such as PCB, chemical materials, optoelectronic semiconductor and electronic assembly SMT in Taiwan and China.
- Taiwan subsidiaries:
  a. The main businesses of TKK Precision Co., Ltd. are: Electronic components manufacturing, trading of electronic materials, wholesale and retail of mechanical equipment, and electronic components testing.
  b. The main businesses of THT Technology Co., Ltd. are machine manufacturing and assembly.
- China subsidiaries:
  a. The main businesses of Hiking Technology Co., Ltd. are as follows: The design, production, processing and testing of printed circuit board manufacturing process equipment, test heads and other related products, and sales of company products and after-sales service.
  b. The main businesses of The Kong King Technology Co., Ltd, (Suzhou) are as follows: Electronic materials wholesale, machinery wholesale, precision appliances retail, information software services, and international trade.

- Hong Kong subsidiary:
- Mainly focus on merchanting trade business related to PCB, chemical materials, optoelectronic semiconductors, electronic assembly and other industries

(6) Basic Information of directors, supervisors and general managers of affiliated companies

Units: NT$thousand; Shares; %

| Name of Company | Title (Note 1) | Name or representative | Shares owned (Note2)(Note3) | |
|---|---|---|---|---|
| | | | Shares | % |
| Taiwan Kong King Co., Ltd. (TW) | Chairman | Byron Ho-Representative of WKK | 24,473,836 | 67.44% |
| | General Manager | LIAO HUNG-YING | 422,000 | 1.16% |
| | Director | Senta Wong -Representative of WKK | 24,473,836 | 67.44% |
| | Director | Edward Tsui-Representative of WKK | 24,473,836 | 67.44% |
| | Director | HSU HUNG-CHIEH -Representative of WKK | 24,473,836 | 67.44% |
| | Director | CHANG JUI-SHUM -Representative of WKK | 24,473,836 | 67.44% |
| | Director | LIAO HUNG-YING | 422,000 | 1.16% |
| | Director | CHEN MEI-FEN | 287,035 | 0.79% |
| | Independent Director | LOK ARTHUR K. | 0 | 0.00% |
| | Independent Director | HUANG WEN-YUEAN | 1,050 | 0.00% |
| | Independent Director | CHAN CHUN-YEN | 0 | 0.00% |
| | Supervisor | KEN CHOU– Representative of Top Range Machinery Co., Ltd. | 378,484 | 1.04% |
| | Supervisor | WU KUO-HSIEN | 0 | 0.00% |
| | Supervisor | TSAI CHIH-WEI | 0 | 0.00% |
| TKK Precision Co., Ltd.(TW) | Chairman | LIAO HUNG-YING -Representative of TKK | 6,237,000 | 100.00% |
| | General Manager | FAN TING-CHI-Representative of TKK | 6,237,000 | 100.00% |
| | Director | FAN TING-CHI-Representative of TKK | 6,237,000 | 100.00% |
| | Director | LIAO DE-HSIANG-Representative of TKK | 6,237,000 | 100.00% |
| | Supervisor | CHEN MEI-FEN -Representative of TKK | 6,237,000 | 100.00% |
| Hong Kong Taiwan Kong King Ltd. (Hong Kong) | Director | Senta Wong | 1 | 0.00% |
| | Director | Edward Tsui | 0 | 0.00% |
| | Director | Byron Ho | 0 | 0.00% |
| | Director | HSU HUNG-CHIEH -Representative of TKK | 26,209,999 | 99.99% |
| Headway Holdings Limited.(Samoa) | Director | HO SHU-CHAN-Representative of TKK | 1,100,000 | 100.00% |

| Name of Company | Title (Note 1) | Name or representative | Shares owned (Note2)(Note3) | |
|---|---|---|---|---|
| | | | Shares | % |
| Hiking International Co., Ltd.( Hong Kong) | Director<br>Director<br>Director | HO SHU-CHAN-Representative of TKK<br>LIAO HUNG-YING -Representative of TKK<br>CHEN MEI-FEN -Representative of TKK | 12,636,000<br>12,636,000<br>12,636,000 | 100.00%<br>100.00%<br>100.00% |
| Hiking Technology Co., Ltd. | Chairman<br>General Manager<br>Director<br>Director<br>Supervisor | LIAO HUNG-YING -Representative of TKK<br>CHENG FU-WEN -Representative of TKK<br>FAN TING-CHI-Representative of TKK<br>LIAO DE-HSIANG -Representative of TKK<br>CHEN MEI-FEN -Representative of TKK | 55,528<br>55,528<br>55,528<br>55,528<br>55,528 | 100.00%<br>100.00%<br>100.00%<br>100.00%<br>100.00% |
| THT Technology Co., Ltd.(TW) | Chairman<br>General Manager<br>Director<br>Director<br>Supervisor | LIAO HUNG-YING -Representative of TKK<br>LIAO HUNG-YING -Representative of TKK<br>FAN TING-CHI-Representative of TKK<br>CHANG CHUN-GU - Representative of TKK<br>CHEN MEI-FEN -Representative of TKK | 4,725,000<br>4,725,000<br>4,725,000<br>4,725,000<br>4,725,000 | 94.50%<br>94.50%<br>94.50%<br>94.50%<br>94.50% |
| The Kong King Technology Co., Ltd, (Suzhou) | Chairman<br>General Manager<br>Director<br>Director<br>Director<br>Supervisor | LIAO HUNG-YING -Representative of TKK<br>LIAO HUNG-YING -Representative of TKK<br>HO SHU-CHAN-Representative of TKK<br>FAN TING-CHI-Representative of TKK<br>CHANG JUI-SHUM -Representative of TKK<br>CHEN MEI-FEN -Representative of TKK | 49,538<br>49,538<br>49,538<br>49,538<br>49,538<br>49,538 | 100.00%<br>100.00%<br>100.00%<br>100.00%<br>100.00%<br>100.00% |

Note 1: If the related company is a foreign company, the equivalent position shall be listed.

Note 2: If the invested company is a joint stock company, please fill in the number of shares and percentage of shareholding. Please fill in the capital amount and capital contribution ratio, and shall be noted in the above table.

Note 3: When the director and the supervisor are legal persons, the relevant information of the Representative should be disclosed.

(7) Operation Status of affiliate companie a.:

December 31, 2021/Unit: NT$ thousand

| Company name | Capital | Total Assets | Total Liabilities | Net worth | Operating revenues | Operating interest | Current income (After tax) | Earnings per share(NTD) |
|---|---|---|---|---|---|---|---|---|
| Taiwan Kong King Co., Ltd.(TW) | 362,888 | 1,221,689 | 282,535 | 939,154 | 1,024,853 | 155,980 | 176,192 | 4.86 |
| TKK Precision Co., Ltd.(TW) | 62,370 | 149,813 | 20,239 | 129,574 | 80,324 | 13,185 | 10,956 | 1.76 |
| Hong Kong Taiwan Kong King Ltd. (Hong Kong) | 95,011 | 121,568 | 19,536 | 102,032 | 64,401 | (6,466) | 22,727 | 0.24 |
| Headway Holdings Limited. (Samoa) | 30,910 | 75,209 | 20,798 | 54,411 | 230,395 | 7,572 | 4,267 | 0.14 |
| Hiking International Co., Ltd. (Hong Kong) | 45,804 | 37,003 | 1,558 | 35,445 | - | (254) | (5,232) | (0.11) |
| Hiking Technology Co., Ltd.(China) | 52,667 | 37,203 | 201 | 37,002 | 4,787 | (8,605) | (4,977) | - |
| The Kong King Technology Co., Ltd, (Suzhou)(China) | 74,881 | 102,235 | 23,271 | 78,964 | 124,060 | 26,409 | 27,232 | - |
| THT Technology Co., Ltd.(TW) | 50,000 | 85,643 | 73,180 | 12,463 | 59,404 | 8,009 | 8,064 | 1.61 |

b. Relational Business Consolidated Financial Statements:

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TAIWAN KING KONG CO., LTD. (the "Consolidated FS of the Affiliates"), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the Consolidated Financial Statements of TAIWAN KING KONG CO., LTD. and its subsidiaries (the "Consolidated FS of the Group") in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TAIWAN KING KONG CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

c. Relational Report: Please refer to pages 305 to 312.

2. Transaction about the company's private placement of securitiesduring the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

3. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

4. Other matters that require additional description:

Incompleted commitments on the OTC market: None.

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# Opinion on Affiliation

Your company has issued a statement, as attached, indicating your 2020 affiliation report for the period from January 1, 2020 to December 31, 2020 was complied with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". The statement also indicated the information within the 2020 affiliation report has no significant differences from the related notes of your 2020 financial statements.

We have reviewed and compared the information within your 2020 affiliation report and the notes of your 2020 financial statements. Based on our procedures, we did not find any significant deficiencies.

CHANG,CHIH-MING

HSU, JUNG-HUANG

Ernst & Young, Taipei, Taiwan
March 24, 2021

# Summary on the relationship between the affiliated company and the controlling company

Unit: shares; %

| Name of the controlling company | Reason of control | Share ownership and pledges of the controlling company | | | Appointment of members of the controlling company as the directors, supervisors, or managers | |
|---|---|---|---|---|---|---|
| | | Number of shares held | Ratio of shareholding | Number of shares pledged | Title | Name |
| Wong's Kong King Int'l (Holdings) Ltd. | Own more than half of the shares with voting right issued by the company | 24,473,836 | 67.44% | 0 | Chairman<br>Director<br>Director<br>Director<br>Director | HO SHU-CHAN<br>HSU HUNG-CHIEH<br>SENTA WONG<br>TSUI YING-CHUN<br>CHANG JUI-SHUM |

Note: When the controlling company of the subordinate company is the subordinate company of another company, the preparer of this information should also fill in the information of that company. The same rule applies when that company is again the subordinate company of another company. The same rule applies hereafter.

# Purchase and sales

Unit: NT$ thousand; %

| Transactions with the controlling company | | | | Terms of transactions with the controlling company | | Arms length terms of transaction | | Reason of the difference | Accounts and notes receivable (payable) | | NPL | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchase (sales) | Amount | Percentage of total purchase (sales) | Gross profit from sales | Price (NT$) | Duration of credit | Price (NT$) | Duration of credit | | Balance | Percentage of total accounts and notes receivable (payable) | Amount | Method of processing | Amount of allowance for bad debt | |
| None | | | | | | | | | | | | | | |

Note 1: If the company has advanced receipts (payments), the company should describe the reason, articles of the contract, the amounts, and the differences between these transactions and arms length transactions in the remarks section.

Note 2: If none of the stated titles are applicable, the preparers may adjust the titles by themselves. If preparers cannot find titles in the table due to the nature of the industry, preparers do not need to fill in the information.

# Property transactions

Unit: NT$ thousand

| Transaction type (acquisition or disposal) | Name of property | Transaction date or the date when the event occurred | Transaction amount | Delivery or payment terms | Payment and receipt of consideration | Disposal gains (Note 1) | The reasons why transaction counterparties are controlling companies | Previous data transfer (Note 2) | | | | The methods for determining the transactions (Note 3) | The basis for determining the prices | The purpose of acquisition or disposal and the condition of use | Other stipulations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Holder | Relationship with the company | Transfer date | Amount | | | | |
| None | | | | | | | | | | | | | | | |

Note 1: The preparer does not need to fill in the information on the acquisition of property

Note 2: (1) The preparer should provide the information on the original acquisition by the controlling company in the acquisition of property. The preparer should provide the information on the original disposal by the subordinate company in the disposal of property

(2) Prepares should explain the relationship between the property owner and the subordinate company or controlling company in the “Relationship with the company” section.

(3) If the counterparty in the previous transfer transaction was a related party, the preparer should add the information on the previous transfer from that related party in the same space.

Note 3: The preparer should explain the decision making level of the transaction.

# Financing

Unit: NT$ thousand; %

| Transaction type (Borrowing or lending) | Highest balance | Balance at the end of the period | Interest rate range | Total interest in this period | Duration of financing | Reason of financing | Acquiring (providing) collaterals | | The methods for determining the transactions (Note 1) | Provision of the allowance for bad debt (Note2) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Name | Amount | | |
| None | | | | | | | | | | |

Note 1: The preparer should explain the decision making level of the transaction.

Note 2: There is no need to provide the information on borrowing funds.

# Lease of assets

Unit: NT$ thousand

| Transaction type (rent or lease) | Property | | Lease duration | Nature of the lease (Note 1) | Basis of determining the rent | Method of collection (payment) | Comparison with regular rent levels | Total rent in this period | Payment and receipt in this period | Other stipulations (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Location | | | | | | | | |
| None | | | | | | | | | | |

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and servitude of real property, the preparer should disclose such conditions.

# Endorsements

Unit: NT$ thousand; %

<table>
<tr><th rowspan="2">Highest balance</th><th colspan="2">Balance at the end of the period</th><th rowspan="2">Reason for the endorsement</th><th colspan="3">Providing collateral as guarantee</th><th rowspan="2" colspan="2">Conditions or dates for releasing the guarantee or recovering the collateral</th><th rowspan="2">The amount of contingent loss already recognized in financial statements</th><th rowspan="2">Violations of operation regulations codified by the company</th></tr>
<tr><th>Amount</th><th>Percentage of net assets in the financial statement</th><th>Name</th><th>Quantity</th><th>Value</th></tr>
<tr><td>None</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

# Declaration

It is hereby declared that the Affiliation Report for 2020 (from January 1, 2020 to December 31, 2020) was prepared pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

Hereby certify

Company Name: Taiwan Kong King Co., Ltd.

Chairman: Ho, Shu-Chan

March 24, 2021

# IX. Matters that have Significant Impact on Shareholder’s Equity or on Share Prices

【If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.】

# TAIWAN KONG KING CO., LTD.

Chairman: HO SHU-CHAN

TKK
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