

**ALL RING TECH CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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

**All Ring Tech Co., Ltd.**

**Declaration of Consolidated Financial Statements of Affiliated Enterprises**

For the year ended December 31, 2020, pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

All Ring Tech Co., Ltd.

February 24, 2021

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of All Ring Tech Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated balance sheets of All Ring Tech Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **Basis for opinion**

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

### **Key audit matters**

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

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

## **Cutoff of revenue**

### Description

Refer to Note 4(27) for accounting policies on revenue recognition.

The sales revenue of the Group is primarily from the assembly and sale of equipment. Based on the terms of the sale agreement, sales revenue is recognised when the control of the goods sold is transferred to the customer after the installation of the goods or the acceptance of the goods by the customer, being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. As the transfer of control of the goods to the customer in a sale transaction involves manual process and judgement, there exists a risk of material misstatement that may arise from improper revenue recognition for transactions that occur near the balance sheet date and the transaction amounts are usually material. Thus, we consider the cutoff of revenue a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding and assessed the accounting policy on revenue recognition.
2. Understood and assessed internal control over revenue recognition, tested the effectiveness of internal controls over the shipment of goods and verified the timing of revenue recognition.
3. Tested the cutoff of transactions that occurred a certain time before or after the balance sheet date in order to verify whether the control of the goods for which revenue has been recognised was transferred, and whether the revenue was recorded in the appropriate period.

## **Evaluation of inventories**

### Description

Refer to Note 4(10) to the consolidated financial statements for the accounting policy on inventory valuation, Note 5(2) for information on the uncertainty of accounting estimates and assumptions on inventory valuation, and Note 6(5) for information on allowance for inventory valuation losses. As of December 31, 2020, inventory and allowance for inventory valuation losses were NT\$447,011 thousand

and NT\$76,240 thousand, respectively.

The Group develops, manufactures, and assembles production equipment for semiconductors and passive components. Due to rapid changes in technology, the risk of the materials inventory of related equipment incurring valuation losses or becoming obsolete is high. Inventories are stated at the lower of cost and net realisable value. The net realisable value of inventory that is over a certain age or individually identified as obsolete is determined based on the historical information on inventory obtained by management from periodic inspections.

The technology related to the Group's products is rapidly changing, and the determination of the net realisable value of inventory identified as obsolete involves subjective judgement. Thus, we consider the evaluation of inventories a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the Group's policies and procedures on setting allowance for inventory valuation losses according to applicable accounting principles and the auditor's understanding of the nature of the Group's industry. This included assessing the reasonableness of the source of the historical information on inventory used in determining net realisable value and assessing the reasonableness of judgments of obsolete inventory items.
2. Obtained an understanding of the Group's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count in order to assess the classification of obsolete inventory and effectiveness of internal control over obsolete inventory.
3. Tested the appropriateness of the logic used in evaluating the net realisable value of inventory and inventory aging report to verify the reasonableness of the allowance for inventory valuation losses.

#### **Other matter – Parent company only financial reports**

We have audited and expressed an unqualified opinion on the parent company only financial statements of All Ring Tech Co., Ltd. as at and 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

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

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

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

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

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

Liu Tzu-Meng

Independent Accountants

Lin Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

February 24, 2021

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers 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.

**ALL RING TECH CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 839,507	31	\$ 824,336	38
1136	Financial assets at amortised cost - current	6(3)	29,065	1	32,424	2
1150	Notes receivable, net	6(4)	76,449	3	115,335	5
1170	Accounts receivable, net	6(4) and 12	429,586	16	300,954	14
1200	Other receivables		7,089	-	868	-
1220	Current income tax assets	6(22)	8,908	-	6,098	-
130X	Inventories	5(2) and 6(5)	370,771	14	201,087	9
1410	Prepayments		11,975	1	8,433	1
11XX	<b>Total current assets</b>		<u>1,773,350</u>	<u>66</u>	<u>1,489,535</u>	<u>69</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)	255,355	9	88,812	4
1535	Financial assets at amortised cost - non-current	6(3) and 8	15,403	1	1,820	-
1600	Property, plant and equipment	6(7) and 8	485,344	18	402,069	19
1755	Right-of-use assets	6(8)	68,691	3	72,458	3
1780	Intangible assets		3,962	-	4,743	-
1840	Deferred income tax assets	6(22)	53,870	2	70,719	3
1920	Guarantee deposits paid		6,476	-	6,609	-
1960	Prepayments for investments - non-current		10,000	-	10,000	1
1990	Other non-current assets		13,697	1	22,304	1
15XX	<b>Total non-current assets</b>		<u>912,798</u>	<u>34</u>	<u>679,534</u>	<u>31</u>
1XXX	<b>Total assets</b>		<u>\$ 2,686,148</u>	<u>100</u>	<u>\$ 2,169,069</u>	<u>100</u>

(Continued)

**ALL RING TECH CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2130	Current contract liabilities	6(15)	\$ 26,414	1	\$ 22,320	1
2150	Notes payable		791	-	1,151	-
2170	Accounts payable	7	448,781	17	218,487	10
2200	Other payables	6(9) and 7	176,380	6	136,440	6
2230	Current income tax liabilities	6(22)	23,121	1	-	-
2250	Provisions for liabilities - current	6(10)	16,078	1	12,789	1
2280	Lease liabilities - current		4,911	-	4,635	-
21XX	<b>Total current Liabilities</b>		<u>696,476</u>	<u>26</u>	<u>395,822</u>	<u>18</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	6(22)	25,707	1	25,707	1
2580	Lease liabilities - non-current		33,350	1	36,560	2
2640	Net defined benefit liabilities - non-current	6(11)	26,876	1	22,510	1
25XX	<b>Total non-current liabilities</b>		<u>85,933</u>	<u>3</u>	<u>84,777</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>782,409</u>	<u>29</u>	<u>480,599</u>	<u>22</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(12)	833,239	31	833,239	38
3200	Capital surplus	6(12)(13)	327,202	12	377,196	17
	Retained earnings	6(6)(12)(14)				
3310	Legal reserve		256,539	10	248,195	11
3320	Special reserve		22,737	1	22,672	1
3350	Unappropriated retained earnings		394,453	15	229,905	11
3400	Other equity interest	6(6)	136,018	5	(22,737)	-
3500	Treasury stocks	6(12)	(66,449)	(3)	-	-
3XXX	<b>Total equity</b>		<u>1,903,739</u>	<u>71</u>	<u>1,688,470</u>	<u>78</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,686,148</u>	<u>100</u>	<u>\$ 2,169,069</u>	<u>100</u>

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

**ALL RING TECH CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

				For the years ended December 31,			
				2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(15)		\$ 1,506,320	100	\$ 1,032,376	100
5000	Operating costs	6(5)(8)(11)(20)(21) and 7		( 767,546)	( 51)	( 566,338)	( 55)
5900	Net operating margin			738,774	49	466,038	45
	Operating expenses	6(8)(11)(20)(21), 7 and 12					
6100	Selling expenses			( 63,812)	( 4)	( 57,321)	( 5)
6200	General and administrative expenses			( 105,766)	( 7)	( 84,145)	( 8)
6300	Research and development expenses			( 265,201)	( 18)	( 234,040)	( 23)
6450	Expected credit losses			( 2,870)	-	( 7,028)	( 1)
6000	Total operating expenses			( 437,649)	( 29)	( 382,534)	( 37)
6900	Operating profit			301,125	20	83,504	8
	Non-operating income and expenses						
7100	Interest income	6(16)		3,108	-	6,203	1
7010	Other income	6(6)(17)		12,643	1	11,560	1
7020	Other gains and losses	6(18) and 12		( 20,620)	( 2)	( 6,702)	( 1)
7050	Finance costs	6(8)(19)		( 478)	-	( 586)	-
7000	Total non-operating income and expenses			( 5,347)	( 1)	10,475	1
7900	<b>Profit before income tax</b>			295,778	19	93,979	9
7950	Income tax expense	6(22)		( 48,934)	( 3)	( 10,538)	( 1)
8200	<b>Profit for the year</b>			<u>\$ 246,844</u>	<u>16</u>	<u>\$ 83,441</u>	<u>8</u>
	<b>Other comprehensive income (loss)</b>						
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>						
8311	Remeasurement of defined benefit obligations	6(11)		(\$ 3,607)	-	(\$ 2,159)	-
8316	Unrealised gains on valuation of financial assets at fair value through other comprehensive income	6(6)		161,852	11	10,156	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)		721	-	432	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>						
8361	Financial statements translation differences of foreign operations			894	-	( 14,244)	( 1)
8300	<b>Total other comprehensive income (loss) for the year</b>			<u>\$ 159,860</u>	<u>11</u>	<u>(\$ 5,815)</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>			<u>\$ 406,704</u>	<u>27</u>	<u>\$ 77,626</u>	<u>8</u>
	Profit attributable to:						
8610	Owners of the parent			<u>\$ 246,844</u>	<u>16</u>	<u>\$ 83,441</u>	<u>8</u>
	Comprehensive income attributable to:						
8710	Owners of the parent			<u>\$ 406,704</u>	<u>27</u>	<u>\$ 77,626</u>	<u>8</u>
	Earnings per share (in dollars)	6(23)					
9750	Basic			<u>\$ 3.01</u>		<u>\$ 1.00</u>	
9850	Diluted			<u>\$ 3.00</u>		<u>\$ 1.00</u>	

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained earnings			Other equity interest			Treasury stocks	Total equity
		Share capital - common stock	Additional paid-in capital	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income			
<u>For the year ended December 31, 2019</u>												
Balance at January 1, 2019		\$ 842,389	\$ 378,812	\$ 108	\$ 216,754	\$ 22,672	\$ 472,994	(\$ 18,874)	\$ 225	(\$ 45,932)	\$ 1,869,148	
Net income for the year ended December 31, 2019		-	-	-	-	-	83,441	-	-	-	83,441	
Other comprehensive income (loss) for the year ended December 31, 2019	6(6)	-	-	-	-	-	(1,727)	(14,244)	10,156	-	(5,815)	
Total comprehensive income (loss) for the year ended December 31, 2019		-	-	-	-	-	81,714	(14,244)	10,156	-	77,626	
Distribution of 2018 net income:												
Legal reserve		-	-	-	31,441	-	(31,441)	-	-	-	-	
Cash dividends	6(14)	-	-	-	-	-	(258,304)	-	-	-	(258,304)	
Treasury stocks retired	6(12)	(9,150)	(1,724)	-	-	-	(35,058)	-	-	45,932	-	
Balance at December 31, 2019		\$ 833,239	\$ 377,088	\$ 108	\$ 248,195	\$ 22,672	\$ 229,905	(\$ 33,118)	\$ 10,381	\$ -	\$ 1,688,470	
<u>For the year ended December 31, 2020</u>												
Balance at January 1, 2020		\$ 833,239	\$ 377,088	\$ 108	\$ 248,195	\$ 22,672	\$ 229,905	(\$ 33,118)	\$ 10,381	\$ -	\$ 1,688,470	
Net income for the year ended December 31, 2020		-	-	-	-	-	246,844	-	-	-	246,844	
Other comprehensive income (loss) for the year ended December 31, 2020	6(6)	-	-	-	-	-	(2,886)	894	161,852	-	159,860	
Total comprehensive income (loss) for the year ended December 31, 2020		-	-	-	-	-	243,958	894	161,852	-	406,704	
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	-	3,991	-	(3,991)	-	-	
Distribution of 2019 net income:												
Legal reserve		-	-	-	8,344	-	(8,344)	-	-	-	-	
Special reserve	6(14)	-	-	-	-	65	(65)	-	-	-	-	
Cash dividends	6(14)	-	-	-	-	-	(74,992)	-	-	-	(74,992)	
Distribution of cash dividends from the capital surplus	6(13)	-	(49,994)	-	-	-	-	-	-	-	(49,994)	
Treasury stocks reacquired	6(12)	-	-	-	-	-	-	-	-	(66,449)	(66,449)	
Balance at December 31, 2020		\$ 833,239	\$ 327,094	\$ 108	\$ 256,539	\$ 22,737	\$ 394,453	(\$ 32,224)	\$ 168,242	(\$ 66,449)	\$ 1,903,739	

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 295,778	\$ 93,979
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit losses	12	2,870	7,028
Provision for inventory market price decline	6(5)	11,641	31,504
Depreciation	6(7)(8)(20)	31,136	30,967
Gain on disposal of property, plant and equipment	6(18)	( 477 )	( 22 )
Amortisation	6(20)	2,914	3,394
Interest income	6(16)	( 3,108 )	( 6,203 )
Dividend income	6(6)(17)	( 6,892 )	( 8,168 )
Interest expense	6(19)	478	586
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		38,886	( 41,358 )
Accounts receivable		( 131,529 )	347,137
Other receivables		( 6,221 )	( 219 )
Inventories		( 184,121 )	20,641
Prepayments		( 3,542 )	( 923 )
Other current assets		-	572
Changes in operating liabilities			
Current contract liabilities		4,094	3,146
Notes payable		( 360 )	( 209 )
Accounts payable		230,294	( 71,987 )
Other payables		39,907	( 113,490 )
Provisions for liabilities - current		3,289	( 4 )
Advance receipts		-	( 363 )
Net defined benefit liabilities - non-current		759	552
Cash inflow generated from operations		<u>325,796</u>	<u>296,560</u>
Dividends received		6,892	8,168
Interest received		3,108	6,203
Interest paid		( 478 )	( 586 )
Income tax received		-	670
Income tax paid		( 10,981 )	( 29,209 )
Net cash flows from operating activities		<u>324,337</u>	<u>281,806</u>

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ALL RING TECH CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortised cost - current		\$ -	(\$ 32,424 )
Disposal of financial assets at amortised cost - current		3,359	-
Acquisition of financial assets at fair value through other comprehensive income		( 301 )	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	5,610	-
Acquisition of financial assets at amortised cost - non-current		( 13,583 )	-
Cash paid for acquisition of property, plant and equipment	6(24)	( 104,727 )	( 27,062 )
Proceeds from disposal of property, plant and equipment		806	47
Acquisition of intangible assets		( 2,124 )	( 1,983 )
Decrease (increase) in guarantee deposits paid		133	( 893 )
Increase in prepayments for investments		( 10,000 )	( 10,000 )
Decrease in other non-current assets		8,607	8,359
Net cash flows used in investing activities		( 112,220 )	( 63,956 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Repayment of lease principal	6(25)	( 4,858 )	( 4,581 )
Distribution of cash dividends from capital surplus	6(13)	( 49,994 )	-
Cash dividends paid	6(14)	( 74,992 )	( 258,304 )
Acquisition of treasury stocks	6(12)	( 66,449 )	-
Net cash flows used in financing activities		( 196,293 )	( 262,885 )
Effect of foreign exchange rate changes on cash and cash equivalents		( 653 )	( 10,719 )
Net increase (decrease) in cash and cash equivalents		15,171	( 55,754 )
Cash and cash equivalents at beginning of year	6(1)	824,336	880,090
Cash and cash equivalents at end of year	6(1)	\$ 839,507	\$ 824,336

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

(1) All Ring Tech Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1996. Its primary business includes the design, manufacturing, and assembly of automation machines, the research, development, and design of computer software, and the manufacturing of optical instruments.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 24, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts— cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

## (2) Basis of preparation

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

## (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income 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.
  - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
  - (e) When the Group loses control of a subsidiary, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or

liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The consolidated subsidiaries and changes of the current period are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	Mechanical engineering automation, and research, development and design of software	100.00	100.00	–
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	100.00	100.00	–
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Investment business	72.10	72.10	Note
PAI FU INTERNATIONAL LIMITED	Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	–
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Investment business	27.90	27.90	Note

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
IMAGINE GROUP LIMITED	All Ring Tech (Kunshan) Co., Ltd.	Research, development, and manufacture of specialized electronic equipment, testing of instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	-

Note : The Company and its subsidiaries own, directly or indirectly, more than 50% of the shares of these companies.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive

income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The financial performance and financial position of all the group entities, and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- I. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- II. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

- III. All resulting exchange differences are recognised in other comprehensive income.

- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

#### (5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

- (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realised within twelve months from the balance sheet date;

- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;

- (b) Liabilities arising mainly from trading activities;

- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;

- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the

counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

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

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the

ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realisable value, the amount of any write-down of inventories is recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(12) Impairment of financial assets

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

(13) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset</u>	<u>Estimated useful lives</u>
Buildings and structures	15~35 years
Machinery and equipment	3~10 years
Transportation equipment	3~5 years
Office equipment	2~10 years
Assets leased to others	1~3 years
Other facilities	1~10 years

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.  
Lease payments are comprised of the following:
  - (a) Fixed payments, less any lease incentives receivable; and
  - (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising

that option.

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

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

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

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Accounts and notes payable

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

of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised the asset and settle the liability simultaneously.

(22) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurement arising on defined benefit plan is recognised in other comprehensive

income in the period in which they arise and is recorded as retained earnings.

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculated the number of shares based on the closing market price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the company and domestic subsidiary and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the

legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

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

(27) Revenue recognition

Sales of goods

- A. Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Collection terms of sales are as follows: the first payment is collected 30 to 130 days after delivery of the machines, and the second payment is collected 30 to 190 days after acceptance of the machines.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

### (1) Critical judgments in applying the Group's accounting policies

None.

### (2) Critical accounting estimates and assumptions

#### Evaluation of inventories

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

B. As at December 31, 2020, the carrying amount of inventories was \$370,771.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash:		
Cash on hand	\$ 2,763	\$ 2,903
Checking accounts and demand deposits	<u>501,461</u>	<u>392,715</u>
	<u>504,224</u>	<u>395,618</u>
Cash equivalents:		
Time deposits	<u>335,283</u>	<u>428,718</u>
	<u>\$ 839,507</u>	<u>\$ 824,336</u>

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

B. Please refer to Note 8 'Pledged Assets' for information on the Group's cash and cash equivalents that were pledged as collateral (shown as in 'Financial assets at amortised cost - non-current') as at December 31, 2020 and 2019.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 21,184	\$ 21,184
Valuation adjustment	( 21,184)	( 21,184)
	<u>\$ -</u>	<u>\$ -</u>

- A. The Group did not recognise any net gain on financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, respectively.
- B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral as at December 31, 2020 and 2019.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Time deposits maturing over three months	\$ 29,065	\$ 32,424
Non-current items:		
Pledged time deposits	\$ 15,403	\$ 1,820

- A. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was the book value.
- B. Please refer to Note 8 'Pledged Assets' for information on the Group's financial assets at amortised cost that were pledged as collateral as at December 31, 2020 and 2019.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 76,449	\$ 115,335
Accounts receivable	\$ 444,389	\$ 312,860
Less: Allowance for uncollectible accounts	( 14,803)	( 11,906)
	<u>\$ 429,586</u>	<u>\$ 300,954</u>

A. The ageing analysis of accounts and notes receivable that were past due is as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Less than 30 days	\$ 71,319	\$ 12,748	\$ 63,334	\$ 21,791
31~90 days	109,919	28,906	70,745	86,180
91~180 days	142,695	34,795	62,486	7,364
181~360 days	67,191	-	58,336	-
Over 360 days	53,265	-	57,959	-
	<u>\$ 444,389</u>	<u>\$ 76,449</u>	<u>\$ 312,860</u>	<u>\$ 115,335</u>

The above ageing analysis was based on invoice date.

B. As at December 31, 2020 and 2019, accounts and notes receivable were all from contracts with customers. As at January 1, 2019, the balance of receivables from contracts with customers amounted to \$733,974.

C. The Group has no notes and accounts receivable pledged to others as collateral as at December 31, 2020 and 2019.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the book value.

E. Information relating to credit risk of accounts and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 53,003	(\$ 12,869)	\$ 40,134
Work in process	303,199	( 46,418)	256,781
Finished goods	90,809	( 16,953)	73,856
	<u>\$ 447,011</u>	<u>(\$ 76,240)</u>	<u>\$ 370,771</u>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 35,794	(\$ 11,069)	\$ 24,725
Work in process	178,092	( 37,936)	140,156
Finished goods	51,514	( 15,308)	36,206
	<u>\$ 265,400</u>	<u>(\$ 64,313)</u>	<u>\$ 201,087</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2020	2019
Cost of goods sold	\$ 755,909	\$ 534,834
Gain on physical inventory	( 4)	-
Provision for inventory market price decline	11,641	31,504
	<u>\$ 767,546</u>	<u>\$ 566,338</u>

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

Items	December 31, 2020	December 31, 2019
Equity instruments		
Emerging stocks	\$ 77,113	\$ 78,431
Unlisted stocks	10,000	-
	87,113	78,431
Valuation adjustment	168,242	10,381
	<u>\$ 255,355</u>	<u>\$ 88,812</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$255,355 and \$88,812 as at December 31, 2020 and 2019, respectively.
- B. Aiming to satisfy the capital expenditure needs, the Group sold \$5,610 of equity instruments investments at fair value which resulted in cumulative gain of \$3,991 on disposal during the year ended December 31, 2020, which was reclassified to retained earnings.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 161,852	\$ 10,156
Cumulative gains reclassified to retained earnings due to derecognition	\$ 3,991	\$ -
Dividend income recognised in profit or loss	\$ 6,892	\$ 8,168

- D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$255,355 and \$88,812, respectively.
- E. On December 24, 2020, Tecstar Technology Co., Ltd., an investment measured at fair value through other comprehensive income, reduced its capital to offset against accumulated losses. In

proportion to its share of capital decrease, the number of registered shares owned by the Group decreased by 111 thousand shares.

- F. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- G. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Assets leased to others	Other facilities	Construction in progress and equipment under acceptance	Total
<u>January 1, 2020</u>									
Cost	\$ -	\$ 462,201	\$ 21,449	\$ 16,259	\$ 18,955	\$ 643	\$ 42,829	\$ 23,851	\$ 586,187
Accumulated depreciation	-	(121,757)	(11,390)	(11,465)	(13,627)	(43)	(25,836)	-	(184,118)
	<u>\$ -</u>	<u>\$ 340,444</u>	<u>\$ 10,059</u>	<u>\$ 4,794</u>	<u>\$ 5,328</u>	<u>\$ 600</u>	<u>\$ 16,993</u>	<u>\$ 23,851</u>	<u>\$ 402,069</u>
<u>For the year ended December 31, 2020</u>									
At January 1	\$ -	\$ 340,444	\$ 10,059	\$ 4,794	\$ 5,328	\$ 600	\$ 16,993	\$ 23,851	\$ 402,069
Additions	61,611	24,797	4,989	122	604	215	780	11,642	104,760
Transferred from inventories	-	-	-	-	-	2,510	-	-	2,510
Depreciation	-	(15,020)	(2,213)	(1,661)	(1,914)	(604)	(3,835)	-	(25,247)
Disposals – Cost	-	-	(17)	(890)	(424)	(325)	(112)	-	(1,768)
– Accumulated depreciation	-	-	10	829	372	116	112	-	1,439
Net currency exchange differences	-	1,029	91	19	33	-	9	400	1,581
At December 31	<u>\$ 61,611</u>	<u>\$ 351,250</u>	<u>\$ 12,919</u>	<u>\$ 3,213</u>	<u>\$ 3,999</u>	<u>\$ 2,512</u>	<u>\$ 13,947</u>	<u>\$ 35,893</u>	<u>\$ 485,344</u>
<u>December 31, 2020</u>									
Cost	\$ 61,611	\$ 488,822	\$ 26,703	\$ 15,612	\$ 19,245	\$ 3,043	\$ 43,543	\$ 35,893	\$ 694,472
Accumulated depreciation	-	(137,572)	(13,784)	(12,399)	(15,246)	(531)	(29,596)	-	(209,128)
	<u>\$ 61,611</u>	<u>\$ 351,250</u>	<u>\$ 12,919</u>	<u>\$ 3,213</u>	<u>\$ 3,999</u>	<u>\$ 2,512</u>	<u>\$ 13,947</u>	<u>\$ 35,893</u>	<u>\$ 485,344</u>

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Assets leased to others	Other facilities	Construction in progress and equipment under acceptance	Total
<u>January 1, 2019</u>								
Cost	\$ 466,435	\$ 22,102	\$ 16,543	\$ 16,866	\$ -	\$ 42,416	\$ -	\$ 564,362
Accumulated depreciation	( 108,289)	( 9,550)	( 9,768)	( 11,891)	-	( 21,609)	-	( 161,107)
	<u>\$ 358,146</u>	<u>\$ 12,552</u>	<u>\$ 6,775</u>	<u>\$ 4,975</u>	<u>\$ -</u>	<u>\$ 20,807</u>	<u>\$ -</u>	<u>\$ 403,255</u>
<u>For the year ended December 31, 2019</u>								
At January 1	\$ 358,146	\$ 12,552	\$ 6,775	\$ 4,975	\$ -	\$ 20,807	\$ -	\$ 403,255
Additions	-	-	-	2,483	-	718	23,851	27,052
Transferred from inventories	-	-	-	-	643	-	-	643
Depreciation	( 15,054)	( 2,199)	( 1,917)	( 2,093)	( 43)	( 4,503)	-	( 25,809)
Disposals—Cost	-	-	-	( 212)	-	( 212)	-	( 424)
— Accumulated depreciation	-	-	-	208	-	191	-	399
Net currency exchange differences	( 2,648)	( 294)	( 64)	( 33)	-	( 8)	-	( 3,047)
At December 31	<u>\$ 340,444</u>	<u>\$ 10,059</u>	<u>\$ 4,794</u>	<u>\$ 5,328</u>	<u>\$ 600</u>	<u>\$ 16,993</u>	<u>\$ 23,851</u>	<u>\$ 402,069</u>
<u>December 31, 2019</u>								
Cost	\$ 462,201	\$ 21,449	\$ 16,259	\$ 18,955	\$ 643	\$ 42,829	\$ 23,851	\$ 586,187
Accumulated depreciation	( 121,757)	( 11,390)	( 11,465)	( 13,627)	( 43)	( 25,836)	-	( 184,118)
	<u>\$ 340,444</u>	<u>\$ 10,059</u>	<u>\$ 4,794</u>	<u>\$ 5,328</u>	<u>\$ 600</u>	<u>\$ 16,993</u>	<u>\$ 23,851</u>	<u>\$ 402,069</u>

- A. Except for the assets classified as ‘Assets leased to others’, the Group’s property, plant and equipment are all occupied by the owner for operating purpose as at December 31, 2020 and 2019.
- B. The Group has not capitalised any interest for the years ended December 31, 2020 and 2019.
- C. Please refer to Note 8, ‘Pledged assets’ for information on the Group’s property, plant and equipment that were pledged as collateral as at December 31, 2020 and 2019.

(8) Leasing arrangements — lessee

A. The Group leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau and signed a contract with the government of the People's Republic of China to lease a designated parcel of land in Kunshan City of Jiangsu Province. Rental contracts are typically made for periods of 15 to 45 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 68,691	\$ 72,458

  

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,889	\$ 5,158

C. For the years ended December 31, 2020 and 2019, the Group has no additions to right-of-use assets; remeasurements of right-of-use assets were \$1,924 and \$—, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 450	\$ 507
Expense on short-term lease contracts	4,871	4,038
Expense on leases of low-value assets	133	104

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$10,312 and \$9,230, respectively.

(9) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accrued salaries and bonuses	\$ 105,418	\$ 72,861
Compensation payable to employees, directors and supervisors	20,856	9,212
Provisions for employee benefits	10,055	7,804
Others	40,051	46,563
	<u>\$ 176,380</u>	<u>\$ 136,440</u>

(10) Provisions for liabilities

	For the years ended December 31,	
	2020	2019
Balance at beginning of year	\$ 12,789	\$ 12,793
Additional provisions	9,162	6,071
Used during the year	(5,873)	(6,075)
Balance at end of year	<u>\$ 16,078</u>	<u>\$ 12,789</u>

The Group's warranty provision is primarily related to the sales of semiconductor equipment, passive component equipment, and light-emitting diode equipment. The amount of the provision is estimated according to historical warranty data. The Group expects the costs related to the provision to be realised in the next two years.

(11) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information on the defined benefit pension plan disclosed above is as follows:

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	(\$ 36,950)	(\$ 32,150)
Fair value of plan assets	10,074	9,640
Net defined benefit liability	<u>(\$ 26,876)</u>	<u>(\$ 22,510)</u>

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

	<u>For the year ended December 31, 2020</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1	(\$ 32,150)	\$ 9,640	(\$ 22,510)
Current service cost	( 625)	-	( 625)
Interest (expense) income	( 225)	67	( 158)
	<u>( 33,000)</u>	<u>9,707</u>	<u>( 23,293)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	343	343
Change in financial assumptions	( 1,123)	-	( 1,123)
Experience adjustments	( 2,827)	-	( 2,827)
	<u>( 3,950)</u>	<u>343</u>	<u>( 3,607)</u>
Pension fund contribution	-	24	24
Balance at December 31	<u>(\$ 36,950)</u>	<u>\$ 10,074</u>	<u>(\$ 26,876)</u>
	<u>For the year ended December 31, 2019</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1	(\$ 29,497)	\$ 9,698	(\$ 19,799)
Current service cost	( 397)	-	( 397)
Interest (expense) income	( 266)	87	( 179)
	<u>( 30,160)</u>	<u>9,785</u>	<u>( 20,375)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	370	370
Change in financial assumptions	( 561)	-	( 561)
Experience adjustments	( 1,968)	-	( 1,968)
	<u>( 2,529)</u>	<u>370</u>	<u>( 2,159)</u>
Pension fund contribution	-	24	24
Paid pension	539	( 539)	-
Balance at December 31	<u>(\$ 32,150)</u>	<u>\$ 9,640</u>	<u>(\$ 22,510)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in

domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as at December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2020	2019
Discount rate	0.30%	0.70%
Future salary increases	3.50%	3.50%

For the years ended December 31, 2020 and 2019, assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance Industry 5th Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 709)	\$ 732	\$ 617	(\$ 601)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 699)	\$ 723	\$ 623	(\$ 606)

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

(e) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$24.

(f) As of December 31, 2020, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	3,099
2-5 years		14,005
6 years and above		9,665
	\$	<u>26,769</u>

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the years ended December 31, 2020 and 2019 were \$10,533 and \$10,232, respectively.
- C. In accordance with the pension and insurance laws of the People’s Republic of China, Kunshan All Ring Tech Co., Ltd. and All Ring Tech (Kunshan) Co., Ltd. contribute 19% of each employee’s salary every month to a pension account managed by the government. Aside from the monthly contributions, the companies have no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$128 and \$1,708, respectively.

(12) Share capital

- A. Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2020	2019
At January 1	83,324	83,324
Treasury stock reacquired	(1,870)	–
At December 31	<u>81,454</u>	<u>83,324</u>

- B. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company’s treasury shares are as follows (in thousands of shares):

Reason for reacquisition	For the year ended December 31, 2020		
	Opening Balance	Additions	Ending Balance
To be reissued to employees	<u>–</u>	<u>1,870</u>	<u>1,870</u>
Reason for reacquisition	For the year ended December 31, 2019		
	Opening Balance	Decrease	Ending Balance
To enhance the Company’s credit rating and the stockholders’ equity	<u>915</u>	<u>(915)</u>	<u>–</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
  - (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
  - (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
  - (e) For the year ended December 31, 2019, treasury shares in the amount of \$45,932 (915 thousand shares) was retired by the Company. For the year ended December 31, 2020, treasury shares in the amount of \$66,449 (1,870 thousand shares) was acquired by the Company. As of December 31, 2020 and 2019, the balance of the Company's treasury shares was \$66,449 and \$ — , respectively.
- C. As at December 31, 2020, the Company's authorised capital was \$1,500,000 (including \$80,000 reserved for employee stock options), and the paid-in capital was \$833,239 with a par value of \$10 per share. The 83,324 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

(13) Capital surplus

- A. Pursuant to the R.O.C Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. On June 10, 2020, the Company's stockholders resolved for the distribution of dividends from capital surplus in the amount of \$49,994 (\$0.6 (in dollars) per share). On February 24, 2021, the Board of Directors proposed for the distribution of dividends from capital surplus in the amount of \$16,291 (\$0.2 (in dollars) per share).

(14) Retained earnings

- A. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final leftover amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors shall propose the earnings appropriation according to future operational and investment needs which shall be submitted to the stockholders during their meeting for approval.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. For the years ended December 31, 2020 and 2019, the Company set aside special reserve of \$65 and \$ —, respectively in accordance with the Company Act, and no dividends shall be distributed.

(b) The amounts previously set aside by the Company as special reserve in the amount of \$22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised dividends distributed to owners amounting to \$74,992 (\$0.9 (in dollars) per share) and \$258,304 (\$3.1 (in dollars) per share) for the years ended December 31, 2020 and 2019, respectively. On February 24, 2021, the Board of Directors proposed for the distribution of dividends from 2020 earnings in the amount of \$228,071 (\$2.8 (in dollars) per share).

(15) Operating revenue

	For the years ended December 31,	
	2020	2019
Revenue from contracts with customers	\$ 1,506,320	\$ 1,032,376

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time. Revenue is primarily

from sales of automation machinery and equipment. Related disclosures for operating revenue are provided in Note 14.

B. Contract liabilities

(a) The Group has recognised revenue-related contract liabilities amounting to \$26,414 and \$22,320 as of December 31, 2020 and 2019, respectively.

(b) As of January 1, 2020 and 2019, the Group's contract liabilities were \$22,320 and \$19,174, respectively. Revenue recognised that were included in the contract liability balance at the beginning of 2020 and 2019 for the years ended December 31, 2020 and 2019 were \$10,881 and \$4,290, respectively.

(16) Interest income

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 3,108	\$ 6,203

(17) Other income

	For the years ended December 31,	
	2020	2019
Dividend income	\$ 6,892	\$ 8,168
Rent income	1,228	54
Other income	4,523	3,338
	<u>\$ 12,643</u>	<u>\$ 11,560</u>

(18) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net foreign exchange losses	(\$ 20,505)	(\$ 6,637)
Net gains on disposal of property, plant and equipment	477	22
Miscellaneous disbursements	(592)	(87)
	<u>(\$ 20,620)</u>	<u>(\$ 6,702)</u>

(19) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 4	\$ 40
Interest expense on lease liabilities	450	507
Other interest expense	24	39
	<u>\$ 478</u>	<u>\$ 586</u>

(20) Expenses by nature

	For the year ended December 31, 2020		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 43,157	\$ 311,311	\$ 354,468
Depreciation	13,666	17,470	31,136
Amortisation	397	2,517	2,914
	<u>\$ 57,220</u>	<u>\$ 331,298</u>	<u>\$ 388,518</u>

	For the year ended December 31, 2019		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 35,140	\$ 236,962	\$ 272,102
Depreciation	15,715	15,252	30,967
Amortisation	463	2,931	3,394
	<u>\$ 51,318</u>	<u>\$ 255,145</u>	<u>\$ 306,463</u>

(21) Employee benefit expense

	For the year ended December 31, 2020		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 36,036	\$ 273,256	\$ 309,292
Labour and health insurance expenses	2,656	17,624	20,280
Pension costs	1,343	10,101	11,444
Other personnel expenses	3,122	10,330	13,452
	<u>\$ 43,157</u>	<u>\$ 311,311</u>	<u>\$ 354,468</u>

	For the year ended December 31, 2019		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 28,449	\$ 202,489	\$ 230,938
Labour and health insurance expenses	3,023	15,296	18,319
Pension costs	2,104	10,412	12,516
Other personnel expenses	1,564	8,765	10,329
	<u>\$ 35,140</u>	<u>\$ 236,962</u>	<u>\$ 272,102</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$18,345 and \$7,290, respectively; while directors' and supervisors' remuneration was accrued at \$2,477 and \$1,922, respectively. The aforementioned amounts were recognised in salary expenses and estimated and accrued based on the distributable net profit of current year

calculated by the percentage prescribed under the Company's Articles of Incorporation. Employees' compensation and directors' and supervisors' remuneration for 2019 amounting to \$9,212, as resolved by the Board of Directors was in agreement with the amount recognised in the 2019 financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 34,175	\$ 10,585
Tax on undistributed earnings	-	1,294
Prior year income tax overestimation	( 2,811)	( 14,415)
Total current tax	<u>31,364</u>	<u>( 2,536)</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>17,570</u>	<u>13,074</u>
Income tax expense	<u>\$ 48,934</u>	<u>\$ 10,538</u>

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

	For the years ended December 31,	
	2020	2019
Remeasurements of defined benefit obligations	(\$ <u>721</u> )	(\$ <u>432</u> )

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 55,094	\$ 11,926
Effect from items adjusted in accordance with tax regulation	3,014 (	1,674)
Tax on undistributed earnings	-	1,294
Prior year income tax overestimation	( 2,811) (	14,415)
Taxable loss not recognised as deferred tax assets	8,064	6,627
Effect from loss carryforward	188	13,647
Effect from investment tax credits	( 14,615)	( 6,867)
Income tax expense	<u>\$ 48,934</u>	<u>\$ 10,538</u>

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

	For the year ended December 31, 2020			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	\$ 2,803	\$ 250	\$ -	\$ 3,053
Loss on decline in market value of inventories	11,781	2,205	-	13,986
Unrealised cost to provide after-sale service	2,558	658	-	3,216
Unrealised compensated absences	1,561	450	-	2,011
Pension costs	4,502	152	721	5,375
Unrealised sales discounts and allowances	4,979	( 3,932)	-	1,047
Unrealised expenses and losses	460	( 10)	-	450
Investment losses	1,249	( 278)	-	971
Foreign currency exchange difference	1,450	603	-	2,053
Lease expense	46	( 46)	-	-
Loss carryforward	<u>39,330</u>	<u>( 17,622)</u>	<u>-</u>	<u>21,708</u>
	<u>\$ 70,719</u>	<u>(\$ 17,570)</u>	<u>\$ 721</u>	<u>\$ 53,870</u>
Deferred income tax liabilities				
Temporary differences:				
Investment income	( <u>\$ 25,707</u> )	<u>\$ -</u>	<u>\$ -</u>	( <u>\$ 25,707</u> )
	<u>\$ 45,012</u>	<u>(\$ 17,570)</u>	<u>\$ 721</u>	<u>\$ 28,163</u>

For the year ended December 31, 2019

	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	\$ 825	\$ 1,978	\$ -	\$ 2,803
Loss on decline in market value of inventories	5,728	6,053	-	11,781
Unrealised cost to provide after-sale service	2,559	( 1)	-	2,558
Unrealised compensated absences	1,530	31	-	1,561
Pension costs	3,960	110	432	4,502
Unrealised sales discounts and allowances	15,606	( 10,627)	-	4,979
Unrealised expenses and losses	1,400	( 940)	-	460
Investment losses	1,249	-	-	1,249
Foreign currency exchange difference	-	1,450	-	1,450
Lease expense	-	46	-	46
Loss carryforward	<u>57,061</u>	<u>( 17,731)</u>	<u>-</u>	<u>39,330</u>
	<u>\$ 89,918</u>	<u>(\$ 19,631)</u>	<u>\$ 432</u>	<u>\$ 70,719</u>
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	(\$ 6,557)	\$ 6,557	\$ -	\$ -
Investment income	( 25,707)	-	-	( 25,707)
	<u>(\$ 32,264)</u>	<u>\$ 6,557</u>	<u>\$ -</u>	<u>(\$ 25,707)</u>
	<u>\$ 57,654</u>	<u>(\$ 13,074)</u>	<u>\$ 432</u>	<u>\$ 45,012</u>

D. Expiration dates of unused loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020

Year incurred	Amount		Unrecognised deferred	
	filed/assessed	Unused amount	tax assets	Expiry year
2012	\$ 438,100	\$ 109,572	\$ 32,890	2022
2013	21,180	21,180	21,180	2023
2014	42,523	42,523	32,896	2024
2015	53,725	53,725	53,725	2025
2016	24,427	24,427	24,427	2026
2017	28,645	28,645	28,645	2027
2018	23,997	23,997	21,835	2028
2019	50,054	48,500	37,630	2029
2020	9,228	9,228	1,260	2030
		<u>\$ 361,797</u>	<u>\$ 254,488</u>	

December 31, 2019

Year incurred	Amount		Unrecognised deferred	
	filed/assessed	Unused amount	tax assets	Expiry year
2012	\$ 438,100	\$ 171,670	\$ 6,878	2022
2013	21,180	21,180	-	2023
2014	42,523	42,523	32,896	2024
2015	53,725	53,725	53,725	2025
2016	24,427	24,427	24,427	2026
2017	28,645	28,645	28,645	2027
2018	23,997	23,997	23,997	2028
2019	35,328	35,328	35,328	2029
		<u>\$ 401,495</u>	<u>\$ 205,896</u>	

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority. As at February 24, 2021, no administrative relief has occurred.

(23) Earnings per share

	For the year ended December 31, 2020		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 246,844</u>	<u>81,977</u>	<u>\$ 3.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 246,844	81,977	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	<u>—</u>	<u>233</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 246,844</u>	<u>82,210</u>	<u>\$ 3.00</u>

	For the year ended December 31, 2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 83,441</u>	<u>83,324</u>	<u>\$ 1.00</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 83,441	83,324	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	<u>—</u>	<u>279</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 83,441</u>	<u>83,603</u>	<u>\$ 1.00</u>

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 104,760	\$ 27,052
Add: Opening balance of payable on equipment (shown as 'other payables')	108	118
Less: Ending balance of payable on equipment (shown as 'other payables')	(141)	(108)
Cash paid for acquisition of property, plant and equipment	<u>\$ 104,727</u>	<u>\$ 27,062</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2020	2019
(1) Prepayments for investments transferred to financial assets at fair value through other comprehensive income	<u>\$ 10,000</u>	<u>\$ -</u>
(2) Inventories transferred to property, plant and equipment	<u>\$ 2,510</u>	<u>\$ 643</u>

(25) Changes in liabilities from financing activities

	For the year ended December 31, 2020	
	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 41,195	\$ 41,195
Changes in cash flow from financing activities	(4,858)	(4,858)
Changes in other non-cash items	<u>1,924</u>	<u>1,924</u>
At December 31, 2020	<u>\$ 38,261</u>	<u>\$ 38,261</u>

  

	For the year ended December 31, 2019	
	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ -	\$ -
Effect of retrospective application	45,776	45,776
Changes in cash flow from financing activities	(4,581)	(4,581)
At December 31, 2019	<u>\$ 41,195</u>	<u>\$ 41,195</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Jie Kuen Enterprise Inc.	Other related party (Note)
Ding Ji Electrical Engineering Co., Ltd.	Other related party (Note)
Nan Feng Mechanical Electrical Co., Ltd.	Other related party (Note)

(Note) The company became a non-related party due to the resignation of its responsible person as a supervisor of the Company in June, 2020. The information disclosed pertain to transactions prior to resignation.

### (2) Significant transactions and balances with related parties

#### A. Purchases of goods

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 10,795</u>	<u>\$ 15,774</u>

Payment terms of purchases from other related parties are 120 days after receipt. Payment terms of purchases from normal vendors are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchases are the same with third parties.

#### B. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Other related parties	<u>\$ 158</u>	<u>\$ 4,482</u>
Other payables:		
Other related parties	<u>\$ -</u>	<u>\$ 100</u>

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

### (3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	<u>\$ 30,048</u>	<u>\$ 33,485</u>
Post-employment benefits	<u>819</u>	<u>914</u>
	<u>\$ 30,867</u>	<u>\$ 34,399</u>

## 8. PLEDGED ASSETS

The Group's assets pledged as collateral were as follows:

<u>Pledged asset</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Purpose</u>
Pledged time deposits (Note 1)	\$ 15,403	\$ 1,820	Guarantee for land leases and performance bond
Buildings and structures (Note 2)	262,649	272,557	Guarantee for short-term borrowings (Note 3)
	<u>\$ 278,052</u>	<u>\$ 274,377</u>	

Note 1: Shown as 'financial assets at amortised cost - non-current'.

Note 2: Shown as 'property, plant and equipment, net'.

Note 3: The associated debt has been repaid but the designation of 'property, plant and equipment' as collateral has not yet been removed.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of December 31, 2020 and 2019, the Group's guarantees and endorsements were as follows:

<u>Endorser</u>	<u>Endorsee</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Purpose</u>
All Ring Tech Co., Ltd.	Uni- Ring Tech Co., Ltd.	\$ 50,000	\$ 50,000	Pledged for borrowing facilities

As of December 31, 2020 and 2019, the actual amount of the endorsement used by the subsidiary, Uni-Ring Tech Co., Ltd., was \$—.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### (2) Financial instruments

#### A. Financial instruments by category

Details of financial instruments by category of the Group are described in Note 6.

#### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and several subsidiaries is the NTD; the functional currency of several subsidiaries is the USD and RMB). Information on assets and liabilities subject to significant foreign exchange risk is as follows:

December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,674	28.48	\$ 417,916
USD:RMB	216	6.51	6,155
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	818	28.48	23,297

December 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,620	29.98	\$ 378,348
USD:RMB	882	6.96	26,427
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,402	29.98	42,032

- v. The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Group's net income for the years ended December 31, 2020 and 2019 would have decreased/increased by \$3,206 and \$2,902, respectively.
- vi. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$20,505 and \$6,637, respectively.

## II. Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk

arising from investments in equity securities, the Group has set various stop loss points to ensure not to be exposed to significant risk. Accordingly, no material market risk was expected.

- ii. The Group's investments in equity securities comprise domestic stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2020 and 2019 would have increased/decreased by \$2,429 and \$888, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

### III. Cash flow and fair value interest rate risk

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no significant effect on after-tax profit for the years ended December 31, 2020 and 2019.

#### (b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- III. The Group adopts the historical experience of collection and the level of customers' risk to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the payments were past invoice date over 180 days, there has been a significant increase in credit risk on that instrument since initial recognition.
- IV. According to the historical experience of collection by the Group and the level of customers' risk, the default occurs when the payments are past invoice date over 270 days.
- V. The Group considers the characteristics of credit risk on trade, and applies the modified approach using loss rate methodology to estimate expected credit loss under the loss rate basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As at December 31, 2020 and 2019, loss rate methodology are as follows:

	<u>Expected loss rate</u>	<u>Book value</u>	<u>Allowance for uncollectible accounts</u>
December 31, 2020			
Taiwan			
Less than 90 days	0.05%	\$ 128,888	\$ -
91~180 days	0.05%~0.09%	109,249	-
181~360 days	1%	60,860	689
Over 360 days	1.78%~100%	<u>46,740</u>	<u>12,752</u>
		<u>345,737</u>	<u>13,441</u>
Mainland China			
Less than 90 days	—	52,350	-
91~180 days	—	33,446	-
181~360 days	1%	6,331	66
Over 360 days	2%~100%	<u>6,525</u>	<u>1,296</u>
		<u>98,652</u>	<u>1,362</u>
		<u>\$ 444,389</u>	<u>\$ 14,803</u>

	<u>Expected loss rate</u>	<u>Book value</u>	<u>Allowance for uncollectible accounts</u>
December 31, 2019			
Taiwan			
Less than 90 days	0.03%	\$ 96,783	\$ -
91~180 days	0.03%~0.06%	37,924	-
181~360 days	1.03%	31,585	316
Over 360 days	2.24%~100%	<u>51,739</u>	<u>11,141</u>
		<u>218,031</u>	<u>11,457</u>
Mainland China			
Less than 90 days	—	37,296	-
91~180 days	—	24,562	-
181~360 days	1%	26,751	270
Over 360 days	2%~100%	<u>6,220</u>	<u>179</u>
		<u>94,829</u>	<u>449</u>
		<u>\$ 312,860</u>	<u>\$ 11,906</u>

VI. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>For the year ended December 31, 2020</u>
	<u>Accounts receivable</u>
At January 1	\$ 11,906
Provision for impairment	2,870
Net exchange differences	<u>27</u>
At December 31	<u>\$ 14,803</u>
	<u>For the year ended December 31, 2019</u>
	<u>Accounts receivable</u>
At January 1	\$ 4,898
Provision for impairment	7,028
Net exchange differences	<u>(20)</u>
At December 31	<u>\$ 11,906</u>

(c) Liquidity risk

- I. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Group.
- II. Group treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and readily generate cash flows to manage liquidity risk.
- III. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

<u>December 31, 2020</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 791	\$ -	\$ -	\$ -
Accounts payable	448,781	-	-	-
Other payables	176,380	-	-	-
Lease liabilities	5,307	5,307	9,885	20,217

  

<u>December 31, 2019</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 1,151	\$ -	\$ -	\$ -
Accounts payable	218,487	-	-	-
Other payables	136,440	-	-	-
Lease liabilities	5,088	5,088	12,370	21,577

IV. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value which includes the carrying amounts of cash and cash equivalents, financial assets at amortised cost – current and non-current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, notes payable, accounts payable, other payables and lease liabilities are approximate to their fair values.

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 242,866</u>	<u>\$ -</u>	<u>\$ 12,489</u>	<u>\$ 255,355</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 88,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,812</u>

- D. The methods and assumptions the Group used to measure fair value are as follows:
- (a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for emerging stocks, the average trading price at the balance sheet date is used.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the year ended December 31, 2020:

	<u>Equity instrument</u>
At January 1, 2020	\$ -
Prepayments for investments transferred	10,000
Profit recognised in other comprehensive income	<u>2,489</u>
At December 31, 2020	<u>\$ 12,489</u>

For the year ended December 31, 2019, there was no transfer into or out from Level 3.

- G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Equity securities	\$ 12, 489	Net asset value	Not applicable	—	Not applicable

### 13. SUPPLEMENTARY DISCLOSURES

(According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2020.)

#### (1) Significant transactions information

- A. Loans to others: Please refer to Table 1.
- B. Provision of endorsements and guarantees to others: Please refer to Table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Please refer to Table 4.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 5.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 7.

#### (4) Major shareholders information

Major shareholders information: Please refer to Table 8.

### 14. SEGMENT INFORMATION

#### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Group's chief operating decision maker that are used to make strategic decisions. The Group's operating decision-maker manages each entity in the organisation according to its role. There is no material change in the basis for information of entities and division of segments in the Group or in

the measurement basis for segment information during this period.

(2) Measurement of segment information

The Group's operational decision-maker evaluates the performance of each department based on its pre-tax income. This metric excludes nonrecurring expenses of the department and unrealized gains or losses from financial products. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Group's central treasury function, which manages the cash position of the Group.

(3) Segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2020				
	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	\$1,404,066	\$ -	\$ 131,789	\$ 7,019	\$ 1,542,874
Inter-segment revenue	23,667	-	8,000	4,887	36,554
Revenue from external customers	1,380,399	-	123,789	2,132	1,506,320
Interest income	2,334	587	181	6	3,108
Depreciation and amortisation	24,235	118	8,141	1,556	34,050
Interest expense	478	-	-	-	478
Segment income (loss) before tax	291,055	(1,232)	(1,904)	(8,134)	279,785
Segment assets	2,646,789	42,637	334,356	42,032	3,065,814
Segment liabilities	743,051	1,671	53,253	14,538	812,513

	For the year ended December 31, 2019				
	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	\$ 935,563	\$ 68	\$ 104,230	\$ 7,958	\$ 1,047,819
Inter-segment revenue	5,251	-	4,662	5,530	15,443
Revenue from external customers	930,312	68	99,568	2,428	1,032,376
Interest income	5,601	480	107	15	6,203
Depreciation and amortisation	25,307	320	8,321	413	34,361
Interest expense	577	-	-	9	586
Segment income (loss) before tax	96,371	(6,260)	(23,116)	(11,064)	55,931
Segment assets	2,131,865	42,806	320,379	46,505	2,541,555
Segment liabilities	443,395	1,277	42,514	5,345	492,531

(4) Reconciliation about segment profit or loss, assets and liabilities

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is provided as follows:

	For the years ended December 31,	
	2020	2019
Reportable segments income before tax	\$ 287,919	\$ 66,995
Other segments loss before tax	(8,134)	(11,064)
Add: Inter-segment income	15,993	38,048
Profit from continuing operations before tax	\$ 295,778	\$ 93,979

B. The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets of reportable segments	\$ 3,023,782	\$ 2,495,050
Assets of other operating segments	42,032	46,505
Less: Inter-segment transaction	( 379,666)	( 372,486)
Total assets	<u>\$ 2,686,148</u>	<u>\$ 2,169,069</u>

C. The amounts provided to the chief operating decision maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Liabilities of reportable segments	\$ 797,975	\$ 487,186
Liabilities of other operating segments	14,538	5,345
Less: Inter-segment transaction	( 30,104)	( 11,932)
Total liabilities	<u>\$ 782,409</u>	<u>\$ 480,599</u>

(5) Information on products and services

Income from external customers is primarily from sales of automation machinery and equipment, therefore it is not necessary to disclose the details of this amount.

(6) Geographical information

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

	<u>For the years ended December 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 1,382,531	\$ 418,555	\$ 932,740	\$ 352,429
China	123,789	159,615	99,636	157,574
	<u>\$ 1,506,320</u>	<u>\$ 578,170</u>	<u>\$ 1,032,376</u>	<u>\$ 510,003</u>

(7) Major customer information

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

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
Company A	\$ 412,276	All Ring Tech Co., Ltd	\$ 194,176	All Ring Tech Co., Ltd
Company B	272,537	All Ring Tech Co., Ltd	227,400	All Ring Tech Co., Ltd
Company C	19,661	All Ring Tech Co., Ltd	111,770	All Ring Tech Co., Ltd

All Ring Tech Co., Ltd. and Subsidiaries

Loans to others

For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Ending balance	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Note
													Item	Value			
1	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Other receivables	Y	\$ 35,016	\$ 35,016	\$ -	2%	Short-term financing	\$ -	Operating	\$ -	-	\$ -	\$ 81,926	\$ 81,926	-

(Note 1) Calculation of limit on loans granted to a single party and ceiling on total loans granted: The total loan amount cannot exceed 40% of the company's net worth. There are three possible circumstances:

1. Loan is made to company with which the Company has a business relationship. The total loan amount cannot exceed 20% of the company's net worth.  
The individual loan amount cannot exceed the total amount of business transactions between the two parties in the past year.
2. Loan is made to companies who need short-term financing. The total loan amount cannot exceed 20% of the company's net worth. The individual loan amount cannot exceed 10% of the net worth of the company.
3. The aforementioned limit does not apply if the loan is made to a company of which the parent company owns, directly or indirectly, 100% of the voting equity.  
Both the total and individual loan amounts do not exceed 200% of the net worth of the creditor based on the most recent financial statements.

(Note 2) Foreign currency amounts in the table are converted into NTD according to the exchange rates on the financial reporting date (RMB:NTD = 1:4.377).

All Ring Tech Co., Ltd. and Subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party ( Note 2 )	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided ( Note 2 )	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
		Relationship with the endorser/ guarantor	Company name											
0	All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	(Note 1)	\$ 380,748	\$ 50,000	\$ 50,000	\$ -	\$ -	2.63%	\$ 761,496	Y	N	N	-

(Note 1) Companies where the Company owns more than 50% of voting shares (direct or indirect).

(Note 2) The total endorsements and guarantees of external parties by the Company cannot exceed 40% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. The total endorsements and guarantees of external parties by the Group cannot exceed 50% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. If the endorsement and guarantee are made for the purpose of conducting business, then the amount of endorsement and guarantee cannot exceed the total amount of business transactions between the guaranteed party and the Company for the period.

All Ring Tech Co., Ltd. and Subsidiaries

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

December 31, 2020

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				
				Number of shares	Book value	Ownership (%)	Fair value	Note
All Ring Tech Co., Ltd.	Stocks:							
	Egiga Source Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	1,298	\$ —	14.86%	\$ —	—
	Tai-Tech Advanced Electronics Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non-current	2,502	241,986	2.75%	241,986	—
	Tecstar Technology Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non-current	165	880	0.72%	880	—
Phoenix Innovation Investment Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non-current		1,000	12,489	3.13%	12,489	—

All Ring Tech Co., Ltd. and Subsidiaries  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	1	Sales of goods	\$ 23,667	—	2%
				Purchases of goods	8,000	—	1%
				Accounts receivable	13,773	—	1%
				Accounts payable	4,862	—	—
		Uni-Ring Tech Co., Ltd.	1	Purchases of goods	4,828	—	—
				Prepayments	5,670	—	—
				Rental income	1,011	—	—
				Endorsements and guarantees	50,000	—	2%

(Note 1) Business and other transactions between the parent company and its subsidiaries or between subsidiaries are not separately disclosed since the circumstances and amounts of each transaction is the same on each side. In addition, the disclosure threshold for significant transactions is set at 1 million dollars.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

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

(Note 3) The ratio of a transaction amount to total revenue or total assets is calculated as follows: balance sheet items are calculated by dividing the ending balance by total consolidated assets; profit or loss items are calculated by dividing the accumulated ending balance by total consolidated revenue.

(Note 4) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1 : 28.48; RMB:USD = 1 : 0.1537); profit or loss items are converted using the average exchange rate for the year ended December 31, 2020 (USD:NTD = 1 : 29.55; RMB:USD = 1 : 0.1449).

All Ring Tech Co., Ltd. and Subsidiaries

Information on investees

For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Note
				Balance as at December 31, 2020	Balance as at December 31, 2019 (Note 1)	Number of shares	Ownership (%)	Book value			
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	British Virgin Islands	Mechanical engineering automation, and research, development and design of software	\$ 65,263	\$ 65,263	1,930,000	100.00	\$ 124,318	(\$ 1,697)	(\$ 1,697)	Subsidiary
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Taiwan	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	200,000	200,000	7,855,947	100.00	21,260	( 13,230)	( 12,922)	Subsidiary
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Mauritius	Investment business	182,840	182,840	5,220,000	72.10	231,620	( 1,478)	( 4,894)	Subsidiary
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Mauritius	Investment business	57,530	57,530	2,020,000	27.90	77,875	( 1,478)	-	Subsidiary (Note 2)

(Note 1) This was the balance on December 31, 2019.

(Note 2) The investment income (loss) does not need to be disclosed per the rules.

(Note 3) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1 : 28.48); profit or loss items are converted using the average exchange rate for the year ended December 31, 2020 (USD:NTD = 1 : 29.55).

All Ring Tech Co., Ltd. and Subsidiaries  
Information on investments in Mainland China  
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 3)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self- manufactured products and provision of corresponding technology testing services	\$ 42,720	(Note 1)	\$ 42,720	\$ -	\$ -	\$ 42,720	(\$ 1,232)	100.00	(\$ 1,232)	\$ 40,966	\$ -	-
All Ring Tech (Kunshan) Co., Ltd.	Research, development, design, and manufacture of specialized electronic equipment, testing instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	205,056	(Note 2) (Note 4)	172,324	-	-	172,324	( 1,394)	100.00	( 1,394)	281,103	-	-
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)</u>										
All Ring Tech Co., Ltd.	\$ 215,044	\$ 532,689	\$ 1,142,243										

(Note 1) Additional investment in Chinese company through a subsidiary in a third region (PAI FU INTERNATIONAL LIMITED).

(Note 2) Additional investment in Chinese company through a subsidiary in a third region (IMAGINE GROUP LIMITED).

(Note 3) Recognised according to the audited financial statements of the investee.

(Note 4) \$56,960 (USD \$2,000 thousand) was invested in the Chinese company through PAI FU INTERNATIONAL LIMITED, located in a third region.

(Note 5) The limit is the net worth or 60% of the consolidated net worth, whichever is greater.

(Note 6) Foreign currency amounts in the table are converted into TWD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:TWD = 1 : 28.48; RMB:USD = 1 : 0.1537); profit or loss items are converted using the average exchange rate for the year ended December 31, 2020 (USD:TWD = 1 : 29.55; RMB:USD = 1 : 0.1449).

All Ring Tech Co., Ltd. and Subsidiaries

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31, 2020	Others
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate		
All Ring Tech (Kunshan) Co., Ltd.	\$ 23,667	2%	\$ -	-	\$ 13,773	1%	\$ -	-	\$ -	\$ -	-	\$ -	-
	( 8,000)	1%			( 4,862)	-							

All Ring Tech Co., Ltd. and Subsidiaries

Major shareholders information

December 31, 2020

Table 8

Expressed in thousands of shares

Name of major shareholders	Number of shares held			Ownership	Note
	Common share	Preferred share			
Fengqiao Investment Co., Ltd.	7,355,625	—		8.82%	—
Hua Nan Commercial Bank, Ltd. in custody for Capital Marathon securities investment trust fund account	4,578,000	—		5.49%	—

(Note) The major shareholders information was derived from the Taiwan Depository & Clearing Corporation in accordance with the common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter.

The share capital which was recorded in the financial statements might be different from the number of shares held in dematerialised form because of a different calculation basis.