Thinking Electronic Industrial Company Limited

Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors’ Report

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Thinking Electronic Industrial Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Thinking Electronic Industrial Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statement").

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2020 is discussed as follows:

<u>Recognition of revenue from specific product</u>

The Company's principal business is manufacturing and selling of passive components. The Company recognized net sales of NT$3,219,769 thousand for the year ended December 31, 2020, and revenue from specific product had significantly increased than previous year. Therefore, the occurrence of sales of specific productis considered as a key audit matter. For the accounting policy on revenue recognition, refer to Note 4 (k) to the parent company only financial statements.

Our main audit procedures performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the internal control on revenue recognition and tested the operating effectiveness of the control.

2. We selected samples from the sales ledger and inspected the delivery documents and receipt bouchers and validated the occurrence of sales of specific product.

3. We verified that the revenue amounts recognized in the sales ledger were the same as those data recorded in the accounts receivable ledger.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

<u>*Notice to Readers*</u>

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

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	December 31, 2020		December 31, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,622,395	16	$ 851,095	10
Financial assets at amortized cost - current (Notes 4 and 7)	-	-	25,000	-
Notes receivable (Note 9)	5,324	-	4,966	-
Accounts receivable, net (Notes 4, 5 and 9)	800,840	8	779,439	9
Accounts receivable - related parties (Notes 9 and 28)	285,727	3	184,885	2
Other receivables	3,112	-	2,999	-
Other receivables - related parties (Note 28)	97	-	426	-
Inventories (Notes 4, 5 and 10)	207,713	2	321,261	4
Other current assets	18,764	-	32,897	1
Total current assets	2,943,972	29	2,202,968	26
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	39,481	-	26,918	-
Investments accounted for using the equity method (Notes 4 and 12)	6,434,738	63	5,397,746	64
Property, plant and equipment (Notes 4, 13, 28 and 30)	613,528	6	544,596	7
Right-of-use assets (Notes 4 and 14)	55,105	1	58,351	1
Other intangible assets (Note 4)	28,359	-	30,795	1
Deferred tax assets (Notes 4 and 23)	109,789	1	103,763	1
Prepayments for equipment	39,640	-	16,664	-
Net defined benefit assets - non-current (Notes 4 and 19)	11,407	-	5,884	-
Other financial assets - non-current (Notes 11 and 29)	31,115	-	28,853	-
Total non-current assets	7,363,162	71	6,213,570	74
TOTAL	$ 10,307,134	100	$ 8,416,538	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	$ 375,000	3	$ 100,000	1
Accounts payable (Note 16)	20,348	-	57,279	1
Accounts payable - related parties (Notes 16 and 28)	591,993	6	351,066	4
Other payables (Note 17)	286,293	3	209,269	2
Other payables - related parties (Note 28)	434	-	293,409	3
Current tax liabilities (Notes 4 and 23)	107,146	1	71,912	1
Lease liabilities - current (Notes 4 and 14)	929	-	1,525	-
Refund liabilities (Notes 4 and 18)	170,979	2	47,717	1
Other current liabilities (Notes 4 and 25)	2,459	-	1,980	-
Total current liabilities	1,555,581	15	1,134,157	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 15)	339,671	3	-	-
Deferred tax liabilities (Notes 4 and 23)	1,044,936	10	853,862	10
Lease liabilities - non-current (Notes 4 and 14)	54,723	1	56,996	1
Deferred revenue non-current (Notes 4 and 25)	6,728	-	-	-
Guarantee deposits received	130	-	130	-
Total non-current liabilities	1,446,188	14	910,988	11
Total liabilities	3,001,769	29	2,045,145	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Ordinary shares	1,281,127	13	1,281,127	15
Capital surplus	348,263	3	348,263	4
Retained earnings				
Legal reserve	1,020,206	10	908,264	11
Special reserve	284,655	3	107,627	1
Unappropriated earnings	4,572,550	44	4,010,767	48
Total retained earnings	5,877,411	57	5,026,658	60
Other equity	(201,436)	(2)	(284,655)	(3)
Total equity	7,305,365	71	6,371,393	76
TOTAL	$ 10,307,134	100	$ 8,416,538	100

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 21 and 28)				
Sales	$ 3,373,313	105	$ 3,187,620	102
Less: Sales returns and allowances	153,371	5	49,772	2
Operating revenue, net	3,219,942	100	3,137,848	100
OPERATING COSTS (Notes 10, 22 and 28)	2,041,760	63	2,085,057	67
GROSS PROFIT	1,178,182	37	1,052,791	33
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Notes 4 and 28)	(4,773)	-	(3,748)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	3,748	-	17,477	1
REALIZED GROSS PROFIT	1,177,157	37	1,066,520	34
OPERATING EXPENSES (Notes 4, 9, 22 and 28)				
Selling and marketing expenses	103,836	3	104,074	3
General and administrative expenses	180,239	6	155,502	5
Research and development expenses	105,417	3	103,092	3
Expected credit loss (gain)	(1,856)	-	427	-
Total operating expenses	387,636	12	363,095	11
PROFIT FROM OPERATIONS	789,521	25	703,425	23
NON-OPERATING INCOME AND EXPENSES (Notes 12, 22, 25 and 28)				
Interest income	11,287	-	11,846	1
Other income	30,405	1	9,478	-
Other gains and losses	(55,647)	(2)	(19,425)	(1)
Finance costs	(2,174)	-	(1,729)	-
Share of profit of subsidiaries	949,374	30	696,852	22
Total non-operating income and expenses	933,245	29	697,022	22
PROFIT BEFORE INCOME TAX	1,722,766	54	1,400,447	45
INCOME TAX EXPENSE (Notes 4 and 23)	337,750	11	284,457	9
NET PROFIT FOR THE YEAR	1,385,016	43	1,115,990	36

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 4,423	-	$ 3,737	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	12,563	1	(260)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method	272	-	435	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(885)	-	(747)	-
	16,373	1	3,165	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(200,966)	(6)	(166,285)	(5)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	289,286	9	(54,675)	(2)
Income tax related to items that may be reclassified subsequently to profit or loss	(17,664)	(1)	44,192	1
	70,656	2	(176,768)	(6)
Other comprehensive income (loss) for the year, net of income tax	87,029	3	(173,603)	(6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,472,045	46	$ 942,387	30
EARNINGS PER SHARE (Note 24)				
Basic	$ 10.81		$ 8.71	
Diluted	$ 10.78		$ 8.67	

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

			Retained Earnings				Other Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity
BALANCE, JANUARY 1, 2019	$ 1,281,127	$ 348,263	$ 809,987	$ 38,365	$ 3,545,719	$ 4,394,071	$ (100,863)	$ (6,764)	$ (107,627)	$ 5,915,834
Appropriation of 2018 earnings (Note 20)										
Legal reserve	-	-	98,277	-	(98,277)	-	-	-	-	-
Special reserve	-	-	-	69,262	(69,262)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(486,828)	(486,828)	-	-	-	(486,828)
	-	-	98,277	69,262	(654,367)	(486,828)	-	-	-	(486,828)
Net profit for the year ended December 31, 2019	-	-	-	-	1,115,990	1,115,990	-	-	-	1,115,990
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	3,425	3,425	(176,768)	(260)	(177,028)	(173,603)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,119,415	1,119,415	(176,768)	(260)	(177,028)	942,387
BALANCE AT DECEMBER 31, 2019	1,281,127	348,263	908,264	107,627	4,010,767	5,026,658	(277,631)	(7,024)	(284,655)	6,371,393
Appropriation of 2019 earnings (Note 20)										
Legal reserve	-	-	111,942	-	(111,942)	-	-	-	-	-
Special reserve	-	-	-	177,028	(177,028)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(538,073)	(538,073)	-	-	-	(538,073)
	-	-	111,942	177,028	(827,043)	(538,073)	-	-	-	(538,073)
Net profit for the year ended December 31, 2020	-	-	-	-	1,385,016	1,385,016	-	-	-	1,385,016
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	3,810	3,810	70,656	12,563	83,219	87,029
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,388,826	1,388,826	70,656	12,563	83,219	1,472,045
BALANCE AT DECEMBER 31, 2020	$ 1,281,127	$ 348,263	$ 1,020,206	$ 284,655	$ 4,572,550	$ 5,877,411	$ (206,975)	$ 5,539	$ (201,436)	$ 7,305,365

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,722,766	$ 1,400,447
Adjustments for:		
Depreciation expense	68,555	64,120
Amortization expense	4,002	6,709
Expected credit (reversed) loss	(1,856)	427
Finance costs	2,174	1,729
Interest income	(11,287)	(11,846)
Share of profit of subsidiaries	(949,374)	(696,852)
Loss on disposal of property, plant and equipment, net	649	86
Loss on inventories	15,220	14,922
Unrealized gain on transactions with subsidiaries	4,773	3,748
Realized gain on transactions with subsidiaries	(3,748)	(17,477)
Recognition of provisions	125,250	24,000
Amortization of grants income	(125)	-
Other non-cash items	(299)	(31)
Changes in operating assets and liabilities		
Notes receivable	(358)	1,565
Accounts receivable	(19,545)	91,908
Accounts receivable - related parties	(100,842)	(60,399)
Other receivables	(261)	(29)
Other receivables - related parties	329	-
Inventories	98,328	70,453
Other current assets	14,133	(16,773)
Net defined benefit assets	(1,100)	(3,278)
Accounts payable	(36,931)	(9,516)
Accounts payable - related parties	240,927	(118,003)
Other payables	60,413	484
Other payables - related parties	(292,975)	(8,405)
Other current liabilities	(273)	(1,019)
Refund liabilities	(1,988)	(9,119)
Cash generated from operations	936,557	727,851
Interest received	11,435	11,604
Interest paid	(1,724)	(1,846)
Income tax paid	(136,017)	(167,167)
Net cash generated from operating activities	810,251	570,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	-	(25,000)
Proceeds from disposal of financial assets at amortized cost	25,000	-
Proceeds from disposal of investment accounted for using equity method	-	13,030
Acquisition of property, plant and equipment	(142,657)	(83,486)
Proceeds from disposal of property, plant and equipment	-	12

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020	2019
Decrease in other receivables - related parties	$ -	$ 44,814
Payment for intangible assets	(1,566)	(3,580)
Increase in other financial assets	(2,262)	(28,800)
Net cash used in investing activities	(121,485)	(83,010)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,709,000	255,000
Repayments of short-term borrowings	(1,434,000)	(155,000)
Proceeds from long-term borrowings	347,000	-
Repayments of long-term borrowings	-	(150,000)
Refund of guarantee deposits received	-	10
Repayments of the principal portion of lease liabilities	(1,393)	(1,389)
Cash dividends paid	(538,073)	(486,828)
Net cash generated from (used in) financing activities	82,534	(538,207)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	771,300	(50,775)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	851,095	901,870
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	$ 1,622,395	$ 851,095

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

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Thinking Electronic Industrial Co., Ltd. (the "Company") was incorporated in July 1979. The Company mainly manufactures, processes and sells electric devices, thermistors, varistors and wires.

The Company's shares have been listed on the Taiwan Stock Exchange since September 2000.

The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on March 22, 2021.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies:

   Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

   The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

   The Company applied the amendment from January 1, 2020. Because the above-mentioned rent concessions happened only in 2020, the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

As of the date the parent company only financial statements were authorized for issue, the Company assessed there was no significant impact that the application of other standards and interpretations will have on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	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 (Note 4)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 5)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 6)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

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

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

1) Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

2) The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

3) Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

1) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

2) The Company chose the accounting policy from options permitted by the standards;

3) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

4) The accounting policy relates to an area for which the Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or

5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, as of the date the parent company only financial statements were reported to the board of directors, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between the parent company only basis and consolidated basis are adjusted in the investments accounted for using the equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting parent company only financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the

New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

e. Inventories

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

f. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

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

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

ii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

i Internal or external information show that the debtor is unlikely to pay its creditors.

ii When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

The Company's financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

Revenue from sale of goods comes from sales of thermistors and varistors. Sales of thermistors and varistors are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized simultaneously.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

Refund liabilities are based on the historical experience and different contract items to estimate the probable sales returns and allowance.

l. Leases

When the Company is lessee, the Company assesses whether the contract is, or contains, a lease at the inception of a contract.

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received.

Government grants related to income are recognized in other income on a systematic basis over the period in which the Company recognized as expense the related cost that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan base on prevailing market interest rate.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

<u>Key Sources of Estimation Uncertainty</u>

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sales of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 578	$ 573
Checking accounts	74	75
Demand deposits	999,525	525,652
Cash equivalents		
Time deposits with original maturities less than 3 months	622,218	324,795
	$ 1,622,395	$ 851,095

a. The market rate intervals of cash equivalents at the end of the years were as follows:

	December 31	
	2020	2019
Time deposits (%)	0.41-2.85	3.00-3.30

b. The Company transacted with variety of financial institutions which are high credit quality to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT - ONLY FOR DECEMBER 31, 2019

The market rate interval of time deposits with original maturities of more than 3 months was 0.65% per annum as of December 31, 2019.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 39,481	$ 26,918

These investments in equity instruments are not held for trading or for short-term gains. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
Notes receivable		
At amortized cost		
Gross carrying amount - operating	$ 5,324	$ 4,966

(Continued)

	December 31	
	2020	2019
Accounts receivable - non-related parties		
At amortized cost		
Gross carrying amount - operating	$ 815,862	$ 796,373
Less: Allowance for impairment loss	15,022	16,934
	$ 800,840	$ 779,439
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount - operating (Note 28)	$ 285,727	$ 184,885

(Concluded)

The Company's notes receivable and accounts receivable have been measured by amortized cost. Refer to Note 27 for information related to credit management policy.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Company writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

There were no notes receivable that were past due and not impaired at the end of the reporting years.

The following table details the loss allowance of accounts receivable (including related parties) based on the Company's provision matrix.

December 31, 2020

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 1,072,111	$ 1,411	$ 12,071	$ 2,162	$ 20	$ 13,814	$ 1,101,589
Loss allowance (Lifetime ECLs)	(422)	(7)	(121)	(648)	(10)	(13,814)	(15,022)
Amortized cost	$ 1,071,689	$ 1,404	$ 11,950	$ 1,514	$ 10	$ -	$ 1,086,567

December 31, 2019

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 935,421	$ 14,014	$ 12,992	$ 115	$ 4,845	$ 13,871	$ 981,258
Loss allowance (Lifetime ECLs)	(406)	(70)	(130)	(35)	(2,422)	(13,871)	(16,934)
Amortized cost	$ 935,015	$ 13,944	$ 12,862	$ 80	$ 2,423	$ -	$ 964,324

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 16,934	$ 16,507
Add: Net remeasurement (reversal) of loss allowance	(1,856)	427
Less: mounts written off	(56)	-
Balance at December 31	$ 15,022	$ 16,934

10. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 118,656	$ 195,640
Work-in-process	37,102	69,105
Raw materials	42,734	45,582
Supplies	3,053	2,821
Inventory in transit	6,168	8,113
	$ 207,713	$ 321,261

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was $2,041,760 thousand and $2,085,057 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2020	2019
Write-off obsolete inventories	$ 27,658	$ 25,123
Inventory reversed	(12,438)	(10,201)
	$ 15,220	$ 14,922

11. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Pledged time deposits	$ 28,800	$ 28,800
Refundable deposits	2,315	53
	$ 31,115	$ 28,853
Non-current	$ 31,115	$ 28,853
Interest rate (%)	0.57	0.82

For information on other financial assets pledged, refer to Note 29.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Not listed company		
Thinking (Changzhou) Electronic Co., Ltd. (Thinking Changzhou)	$ 1,814,089	$ 1,652,969
Greenish Co., Ltd. (Greenish)	1,918,837	1,742,627
Thinking Holding (Cayman) Co., Ltd. (Thinking Holding)	2,552,063	1,847,773
Yenyo Technology Co., Ltd. (Yenyo)	149,749	154,377
	$ 6,434,738	$ 5,397,746

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Thinking Changzhou	47.39%	47.39%
Greenish	100.00%	100.00%
Thinking Holding	100.00%	100.00%
Welljet Hong Kong Ltd. (Welljet)	-	-
Saint East Co., Ltd (Saint East)	-	-
Yenyo	52.61%	52.61%

Information of investments is in Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China”. The Company’s board of directors resolved in its meeting in May 2019 to liquidate and dissolve Saint East and Welljet for coordination of marketing supply and reintegration of the Company. The Company completed the liquidation process in September 2019 and October 2019, respectively, and recovering funds from investment (including capital gain) of NT$13,030 thousand.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were recognized based on the subsidiaries’ financial statements which have been audited.

13. PROPERTY, PLANT, AND EQUIPMENT

For the Year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2020	$ 142,020	$ 208,378	$ 528,752	$ 1,514	$ 191,567	$ 22,685	$ 1,094,916
Additions	2,665	286	46,086	-	6,339	81,328	136,704
Disposals	-	-	(6,349)	-	(143)	-	(6,492)
Balance at December 31, 2020	$ 144,685	$ 208,664	$ 568,489	$ 1,514	$ 197,763	$ 104,013	$ 1,225,128
Accumulated depreciation							
Balance at January 1, 2020	$ -	$ 78,177	$ 340,791	$ 1,395	$ 129,957	$ -	$ 550,320
Depreciation expense	-	5,417	39,450	26	22,230	-	67,123
Disposals	-	-	(5,700)	-	(143)	-	(5,843)
Balance at December 31, 2020	$ -	$ 83,594	$ 374,541	$ 1,421	$ 152,044	$ -	$ 611,600
Carrying amount at December 31, 2020	$ 144,685	$ 125,070	$ 193,948	$ 93	$ 45,719	$ 104,013	$ 613,528

For the Year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2019	$ 142,020	$ 206,681	$ 499,870	$ 1,514	$ 179,462	$ -	$ 1,029,547
Additions	-	1,697	43,363	-	12,492	22,685	80,237
Disposals	-	-	(14,481)	-	(387)	-	(14,868)
Balance at December 31, 2019	$ 142,020	$ 208,378	$ 528,752	$ 1,514	$ 191,567	$ 22,685	$ 1,094,916
Accumulated depreciation							
Balance at January 1, 2019	$ -	$ 72,654	$ 319,852	$ 1,368	$ 108,556	$ -	$ 502,430
Depreciation expenses	-	5,523	35,322	27	21,788	-	62,660
Disposals	-	-	(14,383)	-	(387)	-	(14,770)
Balance at December 31, 2019	$ -	$ 78,177	$ 340,791	$ 1,395	$ 129,957	$ -	$ 550,320
Carrying amounts at December 31, 2019	$ 142,020	$ 130,201	$ 187,961	$ 119	$ 61,610	$ 22,685	$ 544,596

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

Buildings	
Main plants	60 years
Improvement engineering	60 years
Machinery and equipment	8 years
Leasehold improvement	10 years
Others	5-6 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	$ 55,105	$ 58,351

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets - land	$ -	$ 31,199
Depreciation charge for right-of-use assets - land	$ 2,018	$ 1,559

Except for the recognized depreciation and additions, the Company did not have impairment or subleasing of right-of-use assets for the year ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 929	$ 1,525
Non-current	$ 54,723	$ 56,996

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	0.75-1.38	0.75-1.38

c. Material leasing activities and terms

The Company leases land and buildings located at Nanzih Export Processing Zone, for the use of plants with lease terms of 9 to 10 years. The government reserves the right to adjust the rent according to the assessed land value. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease periods. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 442	$ 559
Expenses relating to low-value asset leases	$ 412	$ 438
Total cash outflow for leases	$ 2,947	$ 2,795

15. BORROWINGS

a. Short - term borrowings

	December 31	
	2020	2019
Credit loans	$ 375,000	$ 100,000
Interest rate (%)	0.75-0.77	0.9

b. Long - term borrowings

	Contracts	December 31, 2020
Credit Loans	Effective from October 2020 to October 2027. Principal is repaid in 48 monthly payments from November, 2023	$ 347,000
Less: Government grants discount		7,329
Less: Due within one year		-
		$ 339,671

Borrowings under the "Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan" have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value with annual interest rate of 0.845% based on general condition. At the end of December 31, 2020, the annual interest rate of prime rate loan was 0.35%.

16. ACCOUNTS PAYABLE

The Company's accounts payable were from operating activities and were not secured by collaterals.

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms; therefore, no interest was charged on the outstanding accounts payable.

17. OTHER PAYABLES

	December 31	
	2020	**2019**
Payable for salaries and bonuses	$ 128,237	$ 101,877
Payable for employees' compensation	64,300	44,100
Payable for purchase of equipment	27,730	11,293
Payable for remuneration of directors	23,400	17,900
Others	42,626	34,099
	$ 286,293	$ 209,269

18. REFUND LIABILITIES

	For the Year Ended December 31	
	2020	**2019**
Balance at January 1	$ 47,717	$ 32,836
Recognized	125,250	24,000
Usage	(1,988)	(9,119)
Balance at December 31	$ 170,979	$ 47,717

The discount on refund liabilities was based on historical experience, management's judgments and other known reasons to estimate sales compensation and offset refund liability when compensation actually occurs.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute specific percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	**2019**
Present value of defined benefit obligation	$ 81,262	$ 86,681
Fair value of plan assets	(92,669)	(92,565)
Net defined benefit assets	$ (11,407)	$ (5,884)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Assets**
Balance at January 1, 2019	$ 88,339	$ (86,830)	$ 1,509
Service cost			
Current service cost	137	-	137
Net interest expense (income)	879	(887)	(8)
Recognized in profit or loss	1,016	(887)	129
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,008)	(3,008)
Actuarial gain - experience adjustments	(729)	-	(729)
Recognized in other comprehensive income	(729)	(3,008)	(3,737)
Contributions from the employer	-	(3,785)	(3,785)
Benefits paid	(1,945)	1,945	-
Balance at December 31, 2019	86,681	(92,565)	(5,884)
Service cost			
Current service cost	136	-	136
Net interest expense (income)	857	(933)	(76)
Recognized in profit or loss	993	(933)	60
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,764)	(2,764)
Actuarial loss-change in financial assumptions	935	-	935
Actuarial gain - experience adjustments	(2,594)	-	(2,594)
Recognized in other comprehensive income	(1,659)	(2,764)	(4,423)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Contributions from the employer	$ -	$ (1,160)	$ (1,160)
Benefits paid	(4,753)	4,753	-
Balance at December 31, 2020	$ 81,262	$ (92,669)	$ (11,407)

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

1) Investment risk

   The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

   A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk

   The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate (%)	0.80	1.00
Expected rate of salary increase (%)	2.00	2.00

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

	December 31	
	2020	2019
Discount rate		
0.25% increase	$ (1,165)	$ (1,281)
0.25% decrease	$ 1,203	$ 1,324

(Continued)

	December 31	
	2020	2019
Expected rate of salary increase		
1% increase	$ 4,941	$ 5,450
1% decrease	$ (4,440)	$ (4,892)

(Concluded)

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

	December 31	
	2020	2019
The expected contributions to the plans for the next year	$ 1,150	$ 3,500
Average duration of the defined benefit obligation (years)	9	10

20. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	140,000	140,000
Shares authorized	$ 1,400,000	$ 1,400,000
Number of shares issued and fully paid (in thousands)	128,113	128,113
Shares issued	$ 1,281,127	$ 1,281,127

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

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares (Note)		
Conversion of bonds	$ 265,446	$ 265,446
Issuance of ordinary shares	59,168	59,168
Treasury share transactions	23,649	23,649
	$ 348,263	$ 348,263

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to ordinary shares (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the dividends policy in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to stockholders.

The Company's dividend policy is also designed to meet the current and future development plans and takes into consideration the investment environment, capital needs, domestic or international competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute the dividends at no less than 30% of the distributable earnings of the current year. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 20% of total dividends.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from a special reserve amounts of certain items. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 15, 2020 and June 21, 2019, respectively. The appropriations of earnings for 2019 and 2018 were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	For the Year Ended		**For the Year Ended**	
	2019	**2018**	**2019**	**2018**
Legal reserve	$ 111,942	$ 98,277		
Special reserve	177,028	69,262		
Cash dividends	538,073	486,828	$ 4.2	$ 3.8
	$ 827,043	$ 654,367		

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 22, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividend Per Share (NT$)**
Legal reserve	$ 138,883	
Special reserve	(83,219)	
Cash dividends	704,620	$ 5.5
	$ 760,284	

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 25, 2021.

d. Other equity items

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (277,631)	$ (100,863)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(200,966)	(166,285)
Income tax benefit relating to exchange differences arising on translation of foreign operations	40,193	33,257
Share from subsidiaries accounted for using the equity method	289,286	(54,675)
Income tax benefit (expenses) relating to share from subsidiaries accounted for using the equity method	(57,857)	10,935
Balance at December 31	$ (206,975)	$ (277,631)

2) Unrealized gain/loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (7,024)	$ (6,764)
Recognized for the year		
Unrealized gain (loss) on financial assets at FVTOCI	12,563	(260)
Balance at December 31	$ 5,539	$ (7,024)

21. OPERATING REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	$ 3,219,769	$ 3,137,670
Service revenue	173	178
	$ 3,219,942	$ 3,137,848

a. Refer to Note 4 (k) for information related to contracts with customers.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable (Note 9)	$ 1,091,891	$ 969,290	$ 1,002,791

c. Disaggregation of revenue

Type of revenue	For the Year Ended December 31 2020	2019
Passive components	$ 3,219,769	$ 3,137,670
Service revenue	173	178
	$ 3,219,942	$ 3,137,848

22. NET PROFIT

Net profit included following items:

a. Interest income

	For the Year Ended December 31 2020	2019
Bank deposits	$ 7,260	$ 11,600
Financial assets at amortized cost	97	92
Other (Note 28 f.)	3,930	154
	$ 11,287	$ 11,846

b. Other income

	For the Year Ended December 31 2020	2019
Grants	$ 12,024	$ 3,257
Others (Note 28 f.)	18,381	6,221
	$ 30,405	$ 9,478

c. Other gains and losses

	For the Year Ended December 31 2020	2019
Foreign exchange losses, net	$ (55,013)	$ (19,197)
Others	(634)	(228)
	$ (55,647)	$ (19,425)

d. Finance costs

	For the Year Ended December 31 2020	2019
Interest expense of borrowings	$ 1,995	$ 1,384

(Continued)

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ 700	$ 409
	2,695	1,793
Less: Amounts included in the cost of qualifying assets	(521)	(64)
	$ 2,174	$ 1,729

(Concluded)

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest amount	$ 521	$ 64
Capitalization rate (%)	0.35-1.23	1.23

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 67,123	$ 62,660
Right-of-use-assets	2,018	1,559
Other intangible assets	4,002	6,709
	73,143	70,928
Less: Amounts included in the cost of qualifying assets	(586)	(99)
	$ 72,557	$ 70,829
An analysis of depreciation by function		
Operating costs	$ 54,063	$ 48,610
Operating expenses	14,492	15,510
	$ 68,555	$ 64,120
An analysis of amortization by function		
Operating costs	$ 1,647	$ 1,566
Operating expenses	2,355	5,143
	$ 4,002	$ 6,709

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salary	$ 369,734	$ 316,837
Others	70,090	62,902
	439,824	379,739

(Continued)

	For the Year Ended December 31	
	2020	2019
Retirement benefits		
Defined contribution plans	$ 12,723	$ 12,352
Defined benefit plans (Note 19)	60	129
	12,783	12,481
	$ 452,607	$ 392,220
An analysis of employee benefits expense by function		
Operating costs	$ 172,891	$ 152,554
Operating expenses	279,716	239,666
	$ 452,607	$ 392,220

(Concluded)

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The appropriations of employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 22, 2021 and March 23, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Accrual rate		
Employees' compensation (%)	3.6	3.0
Remuneration of directors (%)	1.3	1.2
Amounts		
Employees' compensation	$ 64,300	$ 44,100
Remuneration of directors	23,400	17,900

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2019 and 2018.

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

23. INCOME TAX

a. Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 168,716	$ 131,742
Income tax on unappropriated earnings	8,319	14,017
Adjustments for prior years	(5,784)	543
	171,251	146,302
Deferred tax		
In respect of the current year	166,499	138,155
Income tax expense recognized in profit or loss	$ 337,750	$ 284,457

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	$ 1,722,766	$ 1,400,447
Income tax expense calculated at the statutory rate	$ 344,553	$ 280,090
Nondeductible expenses and tax-exempt income	(3,190)	161
Income tax on unappropriated earnings	8,319	14,017
Usage of investment credit	(9,865)	(11,225)
Unrecognized deductible temporary differences	3,717	871
Adjustments for prior years' tax	(5,784)	543
Income tax expense recognized in profit or loss	$ 337,750	$ 284,457

The applicable tax rate of the Company is 20%.

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

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Translation of foreign operations	$ (40,193)	$ (33,257)
Remeasurement on defined benefit plans	885	747
Share of other comprehensive income (loss) of subsidiaries by using equity method	57,857	(10,935)
Income tax recognized in other comprehensive income	$ 18,549	$ (43,445)

c. Current tax assets and liabilities

	December 31 2020	December 31 2019
Current tax liabilities		
Income tax payable	$ 107,146	$ 71,912

d. Deferred tax assets and liabilities

The movements of net of deferred tax assets and liabilities are as follows:

For the Year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred Tax Assets				
Temporary differences				
Unrealized loss on inventories	$ 9,372	$ (1,743)	$ -	$ 7,629
Unrealized gross profits	3,863	205	-	4,068
Unrealized refund liabilities	9,543	24,653	-	34,196
Share of other comprehensive income (loss) of subsidiaries for using the equity method	15,079	-	(57,857)	(42,778)
Exchange differences on translation of the financial statements of foreign operations	54,328	-	40,193	94,521
Others	11,578	1,460	(885)	12,153
	$ 103,763	$ 24,575	$ (18,549)	$ 109,789
Deferred Tax Liabilities				
Temporary differences				
Foreign investment income	$ 850,691	$ 190,854	$ -	$ 1,041,545
Others	3,171	220	-	3,391
	$ 853,862	$ 191,074	$ -	$ 1,044,936

For the Year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred Tax Assets				
Temporary differences				
Unrealized loss on inventories	$ 11,413	$ (2,041)	$ -	$ 9,372
Unrealized gross profits	6,356	(2,493)	-	3,863
Unrealized refund liabilities	6,567	2,976	-	9,543

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Share of other comprehensive income of subsidiaries for using the equity method	$ 4,144	$ -	$ 10,935	$ 15,079
Exchange differences on translation of the financial statements of foreign operations	21,071	-	33,257	54,328
Others	6,769	5,556	(747)	11,578
	$ 56,320	$ 3,998	$ 43,445	$ 103,763
Deferred Tax Liabilities				
Temporary differences				
Foreign investment income	$ 705,127	$ 145,564	$ -	$ 850,691
Others	6,582	(3,411)	-	3,171
	$ 711,709	$ 142,153	$ -	$ 853,862

e. Income tax assessments

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

24. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of EPS are as follows:

Net profit for the year

	For the Year Ended December 31	
	2020	2019
Net profit used in the computation of earnings per share	$ 1,385,016	$ 1,115,990

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	128,113	128,113
Effect of potentially dilutive ordinary shares		
Compensation of employees	402	553
Weighted average number of ordinary shares used in the computation of diluted earnings per share	128,515	128,666

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

25. GOVERNMENT GRANTS

The Company obtained government loans of $347,000 thousand under the "Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan" which have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value at $339,395 thousand as of December 31, 2020 with annual interest rate 0.845% based on general condition. The difference amount of $7,605 thousand between acquisition amount and the fair value at December 31, 2020, had been classified as government's low interest grants and recognized as deferred revenue.

	For the Year Ended December 31, 2020
Balance at January 1	$ -
Deferred revenue in the reporting period	7,605
Realized revenue in the reporting period (in other income)	(125)
Balance at December 31	$ 7,480

Carrying amount of deferred revenue	December 31, 2020
Current (in other current liabilities)	$ 752
Non-current	6,728
	$ 7,480

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the last 2 years.

The Company is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

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

The Company's management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 39,481	$ 39,481

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 26,918	$ 26,918

There were no transfers between Level 1 and Level 2 in 2020 and 2019.

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

For the year ended December 31, 2020

Financial assets	Equity Instruments Financial Assets at FVTOCI
Balance at January 1, 2020	$ 26,918
Recognized in other comprehensive income	12,563
Balanced at December 31, 2020	$ 39,481

For the year ended December 31, 2019

Financial assets	Equity Instruments Financial Assets at FVTOCI
Balance at January 1, 2019	$ 27,178
Recognized in other comprehensive loss	(260)
Balanced at December 31, 2019	$ 26,918

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

The fair values of domestic unlisted shares are determined using the market approach where the inputs are categories of business, values of same type of company and operation of company.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Financial assets at amortized cost (Note 1)	$ 2,745,949	$ 1,875,274
Financial assets at FVTOCI	39,481	26,918
Financial liabilities		
Amortized cost (Note 2)	1,613,869	1,011,153

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties, but exclude income tax refund receivable), other financial assets.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable (including related parties) and other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The treasury function reports monthly to the Company's management.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks.

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which exposes the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting year are set out in Note 31.

Sensitivity analysis

The Company is mainly exposed to the risk from the fluctuation of USD and RMB.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Profit or loss	$ 12,558	$ 7,759	$ 6,171	$ 961

b) Interest rate risk

The interest rate risk of the Company is primarily related to its fixed interest rates of bank loans. The Company manages its interest rate risk by using interest rate swap contracts and forward interest rate contracts. Furthermore, total amount of the Company's cash and cash equivalents are considerably greater than the amount of bank loans which can process repayment procedure spontaneously. Therefore, interest rate risk does not have significant impact to the Company.

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	$ 653,333	$ 324,795
Financial liabilities	430,652	158,521
Cash flow interest rate risk		
Financial assets	999,525	579,452
Financial liabilities	339,671	-

Sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have been higher/lower by $6,599 thousand and by $5,795 thousand, respectively, which was mainly a result of the changes in the floating interest rate financial instrument.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation provided due to the financial guarantees provided by the Company, could be the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company is continuously monitoring and spreading the aggregate transactions to each credit-qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

3) Liquidity risk

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

Given that the Company's current assets are considerably higher than current liabilities. the Company has no liquidity risk.

28. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and its relationship with the Company

Related Party Name	Related Party Category
Thinking Changzhou	Subsidiaries
Thinking Yichang	Subsidiaries
Jiangxi Thinking	Subsidiaries
Yenyo	Subsidiaries
Dongguan Welkin	Subsidiaries
Welkin Electronic Industrial Co., Ltd. (Pingtung Welkin)	Related party in substance
Boh Chin Investment Co., Ltd. (Boh Chin Investment)	Related party in substance

b. Operating transactions

Apart from Notes 12 and Table 1, transaction with related parties were as follows:

Sales of goods

	For the Year Ended December 31	
Related Party Category/Name	2020	2019
Subsidiaries		
Thinking Changzhou	$ 289,174	$ 299,024
Dongguan Welkin	195,989	-
Thinking Yichang	42,645	20,009
	$ 527,808	$ 319,033

The sale of goods to related parties was made at the cost plus gross profit prices. The term of collection was the same as non-related parties with 90 days from the end of the month when invoice is issued.

The amounts of unrealized gain on transactions with subsidiaries were $4,773 thousand and $3,748 thousand as of December 31, 2020 and 2019, respectively, which were recognized as the deduction of investments accounted for using the equity method.

Purchases of goods

	For the Year Ended December 31	
Related Party Category/Name	2020	2019
Subsidiaries		
Thinking Changzhou	$ 821,846	$ 821,814

(Continued)

Related Party Category/Name	For the Year Ended December 31 2020	2019
Dongguan Welkin	$ 403,759	$ -
Jiangxi Thinking	132,300	240,406
Thinking Yichang	109,801	151,188
Yenyo	2,373	-
	$ 1,470,079	$ 1,213,408

The purchase price with related parties was based on cost plus gross profit. The prices were not comparable due to the Company has no other similar category of purchases with non-related parties. The term of collection was 90 days from the ended of the month when invoice is issued.

c. Other transactions with related parties

1) Consigned processing

Related Party Category/Name	For the Year Ended December 31 2020	2019
Subsidiaries		
Dongguan Welkin	$ 169,718	$ 443,804
Related party in substance		
Pingtung Welkin	574	215
	$ 170,292	$ 444,019

The price and payment terms with substance related parties were not comparable due to the Company has no other consigned processing business with non-related parties. The payment term was between 30 to 60 days from the end of the month when invoice is issued.

2) Consigned purchases and transaction of property

Related Party Category/Name	For the Year Ended December 31 2020	2019
Subsidiaries		
Thinking Yichang	$ 193	$ 1,224

The gains on consigned purchases from subsidiaries were $5 thousand and $61 thousand for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of investments accounted for using the equity method.

The amounts of unrealized gain on consigned purchases and transaction of property with subsidiaries were $0 and $52 thousand as of December 31, 2020 and 2019, respectively, which were recognized as deduction of investments accounted for using the equity method. The unrealized gain will be amortized into gain from disposal of property, plant and equipment and other income within the following 5 to 10 years.

3) Lease arrangements

Line Item	Related Party Category /Name	For the Year Ended December 31 2020	2019
Lease expense	Related Party in Substance - Boh Chin Investment	$ 480	$ 480

The lease contract between the Company and related parties in substance is based on the market rental agreement under general payment terms.

d. Ending balance

	December 31 2020	2019
Accounts receivable - related parties		
Subsidiaries		
Thinking Changzhou	$ 155,073	$ 176,054
Dongguan Welkin	129,816	-
Thinking Yichang	838	8,831
	$ 285,727	$ 184,885
Other receivables - related parties		
Subsidiaries		
Thinking Yichang	$ 97	$ 426
Accounts payable - related parties		
Subsidiaries		
Dongguan Welkin	$ 337,910	$ -
Thinking Changzhou	221,925	264,050
Thinking Yichang	31,937	24,985
Yenyo	221	-
Jiangxi Thinking	-	62,031
	$ 591,993	$ 351,066
Other payables - related parties		
Subsidiaries		
Dongguan Welkin	$ -	$ 293,345
Thinking Changzhou	-	26
Related party in substance		
Pingtung Welkin	434	38
	$ 434	$ 293,409

The nature of other payable - related parties (Dongguan Welkin) was processing expense.

e. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 88,018	$ 67,433
Post-employment benefits	1,028	1,133
	$ 89,046	$ 68,566

The remuneration of directors and other members of key management is determined by the remuneration committee based on the performance of individuals and market trends.

f. Others

The Company's audit committee had authorized the independent director that represent the Company to lodge a claim for refund of the tax penalty in the amount of $21,185 thousand (including interest). Such tax penalty resulted from the chairman who violated tax regulations in the past year. The refund had been received on October 19, 2020, and recognized $3,844 thousand and $17,341 thousand as interest income and other income, respectively.

29. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Company provided the following assets as collateral for deposits of construction contract:

	December 31	
	2020	2019
Pledged deposits (classified as other financial assets)	$ 28,800	$ 28,800

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments due to the plants under construction and equipment were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	$ 68,675	$ 15,367

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
December 31, 2020				
Financial assets				
Monetary items				
USD	$ 64,593	28.4800	(USD:NTD)	$ 1,839,609
RMB	145,713	4.3597	(RMB:NTD)	635,265
Non-monetary items				
Investment accounted for using the equity method				
USD	156,984	28.4800	(USD:NTD)	4,470,900
RMB	416,104	4.3597	(RMB:NTD)	1,814,089
Financial liabilities				
Monetary items				
USD	20,499	28.4800	(USD:NTD)	583,812
RMB	4,173	4.3597	(RMB:NTD)	18,193
December 31, 2019				
Financial assets				
Monetary items				
USD	35,384	30.0200	(USD:NTD)	1,062,218
RMB	114,153	4.3006	(RMB:NTD)	490,922
Non-monetary items				
Investment accounted for using the equity method				
USD	119,600	30.0200	(USD:NTD)	3,590,400
RMB	384,358	4.3006	(RMB:NTD)	1,652,969
Financial liabilities				
Monetary items				
USD	9,515	30.0200	(USD:NTD)	286,359
RMB	90,128	4.3006	(RMB:NTD)	394,825

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	Exchange Rate		Net Foreign Exchange Gains (Losses)
December 31, 2020			
USD	28.4800	(USD:NTD)	$ (19,978)
RMB	4.3597	(RMB:NTD)	2,394
			$ (17,584)

(Continued)

Foreign Currency	Exchange Rate		Net Foreign Exchange Losses
December 31, 2019			
USD	30.0200	(USD:NTD)	$ (17,241)
RMB	4.3006	(RMB:NTD)	(410)
			$ (17,651)

(Concluded)

32. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

1) Financing provided to others: Table 1.

2) Endorsement/guarantee provided: None.

3) Marketable securities held (excluding investment in subsidiaries): Table 2.

4) Marketable securities acquired or disposed of at cost or price of at least NT$300 million or 20% of the paid-in capital: Table 3.

5) Acquisition of individual real estate at cost of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Trading in derivative instruments: None.

10) Information on investees: Table 6.

b. Information on investments in Mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China areas: Table 7.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.

c) The amount of property transactions and the amount of the resultant gains or losses: Refer to Note 28.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.

e) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

c. Information of major shareholders

List of all shareholders with ownership of 5 percent or greater, showing the names and the number of shares and percentage of ownership held by each shareholder: Table 8

33. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements; the parent company financial statements do not need to disclose segment information.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
1	Thinking Changzhou	Guangdong Welkin Thinking	Other receivables - related parties	Y	$ 108,994 (CNY 25,000 thousand)	$ 108,994 (CNY 25,000 thousand)	$ 63,615 (CNY 15,000 thousand)	4.35	Note 1	$ -	Operating capital	$ -	-	$ -	$ 1,120,143	$ 1,493,525	

Note 1: Short-term financing.

Note 2: The total amounts of financing provided should not exceed 40% of the shareholders' equity of Thinking Changzhou and financing provided to any single entity should not exceed 30% of the shareholders' equity of Thinking Changzhou. For foreign companies of which Thinking Changzhou holds, directly and indirectly 100% of the voting share, the financing provided to any single entity should not exceed 100% of the net equity worth of Thinking Changzhou.

TABLE 2

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	ACPA TECHNOLOGY CO., LTD.	-	Financial assets at FVTOCI - non-current	2,469,130	$ 39,481	11	$ 39,481	
Thinking Changzhou	RMB financial products							
	"E-Lingtong" net worth type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 26,223 thousand	-	CNY 26,223 thousand	
	Wishful Life V - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 120,000 thousand	-	CNY 120,000 thousand	
	Yuntong Wealth Long-lasting pension - Bank of Communications	-	Financial assets at FVTPL - current	-	CNY 500 thousand	-	CNY 500 thousand	
	Structured Deposit Monthly Profit - Fubon Bank (China)	-	Financial assets at FVTPL - current	-	CNY 80,000 thousand	-	CNY 80,000 thousand	
Thinking Yichang	RMB financial products							
	"Qianyuan-Hengying" (90 days) periodic open net worth type - China Construction Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	"Xpress E" Special Account Customization - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 25,000 thousand	-	CNY 25,000 thousand	
	"Tian Libao" Net Worth Type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 6,000 thousand	-	CNY 6,000 thousand	
	Stable Financial Plan-Wisdom Series - Bank of China	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	
Jiangxi Thinking	RMB financial products							
	Juyishengjin - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 11,750 thousand	-	CNY 11,750 thousand	
	Stable Financial Management Plan-Wisdom Series - Bank of China	-	Financial assets at FVTPL - current	-	CNY 11,000 thousand	-	CNY 11,000 thousand	
	Accumulate every day-daily plan - Bank of China	-	Financial assets at FVTPL - current	-	CNY 1,360 thousand	-	CNY 1,360 thousand	
Guangdong Welkin Thinking	RMB financial products							
	Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	People add profit - E. Sun Commercial Bank	-	Financial assets at FVTPL - current	-	CNY 1,000 thousand	-	CNY 1,000 thousand	
Dongguan Welkin	RMB financial products							
	Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	Increase profit B - China Merchants Banks	-	Financial assets at FVTPL - current	-	CNY 20,000 thousand	-	CNY 20,000 thousand	
	People add profit - E. Sun Commercial Bank	-	Financial assets at FVTPL - current	-	CNY 5,000 thousand	-	CNY 5,000 thousand	

TABLE 3

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Carrying Amount	Gain/Loss on Disposal	Number of shares	Amount
Thinking Changzhou	RMB financial products													
	Qian Yuan Tianfu	Financial assets at FVTPL - current	China Construction Bank		-	CNY 55,000 thousand	-	CNY 40,000 thousand	-	CNY 97,455 thousand	CNY 95,000 thousand	CNY 2,455 thousand	-	-
	"E-Lingtong" net worth type	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 12,239 thousand	-	CNY 316,484 thousand	-	CNY 303,844 thousand	CNY 302,500 thousand	CNY 1,344 thousand	-	CNY 26,223 thousand
	Wishful Life V	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 28,000 thousand	-	CNY 160,000 thousand	-	CNY 69,225 thousand	CNY 68,000 thousand	CNY 1,225 thousand	-	CNY 120,000 thousand
	Accumulate every day-daily plan	Financial assets at FVTPL - current	Bank of China		-	CNY 3,500 thousand	-	CNY 85,000 thousand	-	CNY 88,613 thousand	CNY 88,500 thousand	CNY 113 thousand	-	-
	Stable Financial Plan-Wisdom Series	Financial assets at FVTPL - current	Bank of China		-	CNY 50,000 thousand	-	CNY 20,000 thousand	-	CNY 71,338 thousand	CNY 70,000 thousand	CNY 1,338 thousand	-	-
	Structured Deposit Monthly Profit	Financial assets at FVTPL - current	Fubon Bank (China)		-	-	-	CNY 80,000 thousand	-	-	-	-	-	CNY 80,000 thousand
Thinking Yichang	RMB financial products													
	"Xpress E" Special Account Customization	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 5,000 thousand	-	CNY 65,000 thousand	-	CNY 45,415 thousand	CNY 45,000 thousand	CNY 415 thousand	-	CNY 25,000 thousand
Jiangxi Thinking	RMB financial products													
	Juyishengjin	Financial assets at FVTPL - current	China Merchants Bank		-	CNY 20,500 thousand	-	CNY 61,910 thousand	-	CNY 71,059 thousand	CNY 70,660 thousand	CNY 399 thousand	-	CNY 11,750 thousand
	Accumulate every day-daily plan	Financial assets at FVTPL - current	Bank of China		-	-	-	CNY 62,790 thousand	-	CNY 61,496 thousand	CNY 61,430 thousand	CNY 66 thousand	-	CNY 1,360 thousand
Dongguan Welkin	RMB financial products													
	Point Gold Series Structured Deposit	Financial assets at FVTPL - current	China Merchants Bank		-	-	-	CNY 150,000 thousand	-	CNY 135,692 thousand	CNY 135,000 thousand	CNY 692 thousand	-	CNY 15,000 thousand

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Receivable) Payable		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% of Total	
The Company	Thinking Changzhou	Subsidiary	Sales	$ (289,174)	(9)	90 days from the end of the month	$ -	-	$ (155,073)	(14)	
	Thinking Changzhou	Subsidiary	Purchases	821,846	45	90 days from the end of the month	-	-	221,925	25	
	Dongguan Welkin	Subsidiary	Sales	(195,989)	(6)	90 days from the end of the month	-	-	(129,816)	(12)	
	Dongguan Welkin	Subsidiary	Purchases	403,759	22	90 days from the end of the month	-	-	337,910	38	
	Dongguan Welkin	Subsidiary	Processing	169,718	9	From the end of the month when invoice is issued by T/T	-	-	-	-	
	Jiangxi Thinking	Subsidiary	Purchases	132,300	7	90 days from the end of the month	-	-	-	-	
	Thinking Yichang	Subsidiary	Purchases	109,801	6	90 days from the end of the month	-	-	31,937	4	
Thinking Changzhou	Jiangxi Thinking	Associate	Sales	(156,407)	(6)	90 days from the end of the month	-	-	(76,675)	(7)	
	Guangdong Welkin Thinking	Associate	Sales	(197,795)	(8)	90 days from the end of the month	-	-	(36,927)	(3)	
Thinking Yichang	Guangdong Welkin Thinking	Associate	Sales	(481,387)	(52)	90 days from the end of the month	-	-	(164,519)	(42)	
	Jiangxi Thinking	Associate	Purchases	179,872	33	90 days from the end of the month	-	-	82,242	38	
Guangdong Welkin Thinking	Dongguan Welkin	Associate	Processing	158,362	13	From the end of the month when invoice is issued by T/T	-	-	-	-	
	Dongguan Welkin	Associate	Purchases	318,119	25	90 days from the end of the month	-	-	315,570	44	
Jiangxi Thinking	Dongguan Welkin	Associate	Sales	(162,192)	(28)	90 days from the end of the month	-	-	(160,095)	(59)	

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Thinking Changzhou	Subsidiary	$ 155,073	1.75	$ -	-	$ 68,481	$ -
	Dongguan Welkin	Subsidiary	129,816	3.02	-	-	23,971	-
Thinking Changzhou	The Company	Parent company	221,925	3.38	-	-	115,773	-
Thinking Yichang	Guangdong Welkin Thinking	Associate	164,519	3.23	-	-	118,537	-
Dongguan Welkin	The Company	Parent company	337,910	1.28	-	-	212,663	-
	Guangdong Welkin Thinking	Associate	315,570	1.72	-	-	141,732	-
Jiangxi Thinking	Dongguan Welkin	Associate	160,095	2.03	-	-	21,706	-

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of shares	Percentage of ownership (%)	Carrying Amount			
The Company	Yenyo	Yilan	Processing, sales and manufacturing of diodes	$ 275,160	$ 275,160	21,232,508	52.61	$ 149,749	$ (9,312)	$ (4,900)	Note 1
	Greenish	British Virgin Island	Investment holding and international trading	242,300 (US$ 7,375 thousand)	242,300 (US$ 7,375 thousand)	7,374,997	100	1,918,837	234,076	232,338	Note 1
	Thinking Holding	Cayman	Investment holding and international trading	770,212 (US$ 24,729 thousand)	770,212 (US$ 24,729 thousand)	24,728,858	100	2,552,063	568,755	505,755	Note 1
Thinking Holding	Thinking International	Mauritius	Investment holding and international trading	196,512 (US$ 6,075 thousand)	195,017 (US$ 6,025 thousand)	6,075,000	100	954,972	155,840	155,840	
	Thinking HK	Hong Kong	Investment holding and international trading	311,109 (US$ 10,020 thousand)	311,109 (US$ 10,020 thousand)	10,020,000	100	625,927	85,350	85,350	
	View Full Samoa	Samoa	Investment holding and international trading	155,108 (US$ 5,055 thousand)	155,108 (US$ 5,055 thousand)	5,055,000	100	946,158	288,150	288,150	
	Thinking Samoa	Samoa	Investment holding and international trading	76,294 (US$ 2,599 thousand)	76,294 (US$ 2,599 thousand)	2,598,858	100	100,197	38,266	38,266	

Note 1: The share of profits or losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: Information of investees which located in mainland China, refer to Table 7.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	Percentage of Ownership Direct or Indirect Investment	Investment Gain (Loss) (Note 7)	Carrying Amount as of December 31, 2020 (Note 7)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Thinking Changzhou	Manufacturing and selling thermistors, varistors and sensors	US$ 21,260 thousand	Note 1	$ 452,725	$ -	$ -	$ 452,725	$ 459,452	100	$ 456,149	$3,681,581	$ 739,210 (US$ 24,148)	Notes 10
Thinking Yichang	Manufacturing and selling thermistors, varistors and sensors	US$ 6,000 thousand	Note 2	194,170	-	-	194,170	155,909	100	155,909	953,392	-	-
Jiangxi Thinking	Manufacturing and selling thermistors and varistors	US$ 10,000 thousand	Note 3	310,330	-	-	310,330	85,381	100	85,381	625,650	-	-
Guangdong Welkin Thinking	Selling thermistors, varistors, sensors and equipment	US$ 5,000 thousand	Note 4	153,547	-	-	153,547	163,790	100	163,790	386,840	-	-
Dongguan Welkin	Manufacturing and processing thermistors, varistors, sensors and equipment	CNY$ 84,050 thousand	Note 5	75,535	-	-	75,535	277,401	100	277,401	974,197	-	-
Zhongshan Welkin	Manufacturing and selling thermistors, varistors	$ -	Note 6	-	-	-	-	-	-	-	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$1,186,307 (US$37,209 thousand)	$797,355 (US$27,997 thousand) (Note 8)	$4,383,219 (Note 9)

Note 1: Indirectly investment in mainland China through Greenish which was registered in the third area. The Company increased the amount of indirect investments in mainland China through Greenish since 2003.

Note 2: Indirectly investment in mainland China through companies registered in the third area (Thinking International).

Note 3: Indirectly investment in mainland China through companies registered in the third area (Thinking HK).

Note 4: Indirectly investment in mainland China through companies registered in the third area (View Full Samoa).

Note 5: Indirectly investment in mainland China through companies registered in the third area, View Full Samoa and Thinking Samoa and the subsidiary, Thinking Changzhou.

Note 6: The board of directors had decided to establish the Company through the subsidiary (Dongguan Welkin), and has been registered at December, 2020. At the end of December 31, 2020, the Company have no outward remittance for investments.

Note 7: Financial report had been audited by ultimate parent company's certified public accountant.

Note 8: Indirectly investment in mainland China through companies registered in the third area. The investment amount approved by MOEA was US$39,478 thousand. The remaining amount had deducted earnings repatriation which was approximately US$11,481 thousand. The balance amount at December 31, 2020 was based on US to TWD exchange rate of 28.48.

Note 9: The upper limit on investment in main land China is determined by 60% of the Company's consolidated net worth.

Note 10: The Company recognized share of profits of Thinking Changzhou was $216,182 thousand, and Greenish recognized share of profits of Thinking Changzhou was $239,967 thousand. Total amount of share of profits was $456,149 thousand. The difference between total amount of share of profits and the net income of Thinking Changzhou resulted from unrealized gross profit on intercompany transactions.

THINKING ELECTRONIC INDUSTRIAL CO., LTD

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Boh Chin Investment Co., Ltd.	27,178,247	21.21
Yih Chin Investment Co., Ltd.	15,871,153	12.38
Zhang, Rui-Min	7,576,000	5.91

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

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF NOTES RECEIVABLE	2
STATEMENT OF ACCOUNTS RECEIVABLE	3
STATEMENT OF OTHER RECEIVABLES	4
STATEMENT OF INVENTORIES	5
STATEMENT OF OTHER CURRENT ASSETS	6
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	7
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT	8
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF RIGHT-OF-USE ASSETS	9
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 23
STATEMENT OF SHORT-TERM BORROWINGS	10
STATEMENT OF LONG-TERM BORROWINGS	Note 15
STATEMENT OF ACCOUNTS PAYABLE	11
STATEMENT OF OTHER PAYABLES	Note 17
STATEMENT OF OTHER CURRENT LIABILITIES	12
STATEMENT OF LEASE LIABILITIES	13
STATEMENT OF DEFERRED TAX LIABILITIES	Note 23
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUE	14
STATEMENT OF OPERATING COSTS	15
STATEMENT OF OPERATING EXPENSES	16
STATEMENT OF OTHER GAINS AND LOSSES	Note 22
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION	17

STATEMENT 1

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Petty cash and cash on hand		$ 578
Bank deposit		
Deposit of NTD		
Checking accounts		74
Demand deposits		118,342
Foreign currency deposits		
Demand deposits	Including USD29,286 thousand, HKD3,474 thousand, JPY23,671 thousand, EUR785 thousand and RMB89 thousand (Note)	881,183
Cash equivalents		
Time deposits with original maturities less than 3 months		
Deposit of NTD		
Foreign currency deposits	Including RMB77,394 thousand and USD10,000 thousand, with annual interest rate of 2.6%-2.85% and 0.41% The expiry date of foreign currency deposits is March 2021.	622,218
		$ 1,622,395

Note: Foreign currency exchange rates of USD, HKD, JPY, EUR and RMB were as follows USD1=NTD28.48, HKD1=NTD3.673, JPY1=NTD0.2757, EUR1=NTD34.94 and RMB1=NTD4.3597.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Company A	Sale of goods	$ 1,652
Company B	Sale of goods	552
Company C	Sale of goods	531
Company D	Sale of goods	360
Company E	Sale of goods	353
Company F	Sale of goods	306
Others (Note)	Sale of goods	1,570
		$ 5,324

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Amount	Over a Year	Remark
Related parties			
Thinking Changzhou	$ 155,073	$ -	Sale of goods
Dongguan Welkin	129,816	-	Sale of goods
Thinking Yichang	838	-	Sale of goods
	285,727		
Non-related parties (Note)	815,862	13,814	Sale of goods
Less: Loss allowance	15,022	$ 13,814	
	800,840		
	$ 1,086,567		

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.

STATEMENT 4

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount	Remark
Related parties		
Thinking Yichang	$ 97	Transaction of consigned purchases
Non-related parties		
Income tax refund receivable	2,661	Business tax
Earned revenue receivable	451	
	3,112	
	$ 3,209	

STATEMENT 5

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Cost	Net Realizable Value (Note)
Finished goods	$ 118,656	$ 187,257
Work-in-process	37,102	67,610
Raw materials	42,734	43,603
Supplies	3,053	3,085
Inventory in transit	6,168	6,168
	$ 207,713	$ 307,723

Note: Refer to Note 4 for accounting policy of net realizable value.

STATEMENT 6

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER CURRENT ASSETS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Prepayment for purchases	$ 3,976
Prepaid expenses	9,044
Office supplies	2,314
Others	3,430
	$ 18,764

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2020		Additions in Investment			Decrease in Investment			Balance, December 31, 2020			Market Value or Net Assets Value			
Investees	Shares	Amount	Shares	Amount		Shares	Amount		Shares	% of Ownership	Amount	Unit Price	Total Amount	Collateral	Note
Non-listed company															
Yenyo	21,232,508	$ 154,377	-	$ 272		-	$ 4,900		21,232,508	52.61	$ 149,749	$ 7.29	$ 154,857	None	
Greenish	7,374,997	1,742,627	-	176,210		-	-		7,374,997	100.00	1,918,837	264.10	1,947,739	None	
Thinking Changzhou	10,075,514	1,652,969	-	161,120		-	-		10,075,514	47.39	1,814,089	175.65	1,769,784	None	
Thinking Holding	24,728,858	1,847,773	-	704,290		-	-		24,728,858	100.00	2,552,063	107.35	2,654,577	None	
		$ 5,397,746		$ 1,041,892	(Note 1)		$ 4,900	(Note 2)			$ 6,434,738		$ 6,526,957		

Note 1: Share of profits using the equity method, realized gain on transactions in the beginning of year, exchange differences on translation of the financial statements of foreign operations remeasurements of the net defined benefit liability and deduction of unrealized gain on transactions at the end of the year amounted to $954,274 thousand, $3,799 thousand, $88,320 thousand, $272 thousand and $4,773 thousand.

Note 2: Share of losses accounted for using the equity method amounted to $4,900 thousand.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Market Value or Net Assets Value			
Investees	**Shares**	**Fair Value**	**Shares**	**Amount (Note 1)**	**Shares**	**Amount**	**Shares**	**Fair Value (Note 2)**	**Accumulated Impairment**	**Collateral**
Non-listed company's stock										
ACPA TECHNOLOGY CO., LTD.	2,469,130	$ 26,918	-	$ 12,563	-	$ -	2,469,130	$ 39,481	$ -	None

Note 1: Recognized as unrealized other comprehensive gain of financial assets at fair value.

Note 2: Refer to Note 27 for fair value measurement.

STATEMENT 9

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2020	Additions	Deductions	Balance at December 31, 2020
Cost				
Land	$ 59,910	$ -	$ (1,228)	$ 58,682
Accumulated depreciation				
Land	(1,559)	(2,018)	-	(3,577)
	$ 58,351	$ (2,018)	$ (1,228)	$ 55,105

STATEMENT 10

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type of Borrowings and Bank Name	Contract Period	Interest Rates for the Year (%)	Balance of December 31, 2020
Credit Loans			
Citibank, N.A.	2020.09.16-2021.03.15	0.75	$ 175,000
CTBC Bank	2020.09.10-2021.03.10	0.77	200,000
			$ 375,000

Note: At the end of December 31, 2020, the amount of unused short-term borrowings was approximately $1,881,000 thousand.

STATEMENT 11

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Dongguan Welkin	$ 337,910
Thinking Changzhou	221,925
Thinking Yichang	31,937
Yenyo	221
	591,993
Non-related parties	
Company G	2,842
Company H	2,657
Company I	1,793
Company J	1,734
Company K	1,201
Others (Note)	10,121
	20,348
	$ 612,341

Note: The amount of individual vendor that are included in others does not exceed 5% of the account balance.

STATEMENT 12

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Temporary receipts	$ 360
Withholding	1,347
Deferred revenue	752
	$ 2,459

STATEMENT 13

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Lease Term	Discount Rate (%)	Balance of December 31, 2019
Land	2016.06-2030.10	0.75-1.38	$ 55,652
Less: Lease liabilities - current			929
Lease liabilities - non-current			$ 54,723

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Shipments (Thousand PCS)	Amount
Revenue from sale of goods		
Passive components	6,247,599	$ 3,219,769
Service revenue		173
		$ 3,219,942

TATEMENT 15

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of merchandise	
Merchandise, beginning of year	$ 702
Merchandise purchased	16,464
Merchandise, end of year	-
Others	(735)
Total cost of merchandise	16,431
Production cost	
Raw material used	
Raw material, beginning of year	45,582
Raw material purchased	171,742
Raw material, end of year	(42,734)
Others	(17,691)
	156,899
Supplies used	23,542
Direct labor	116,432
Manufacturing expense	366,845
Manufacturing cost	663,718
Work-in-process, beginning of year	69,105
Work-in-process purchased	154,298
Work-in-process, end of year	(37,102)
Others	19,821
Cost of finish goods	869,840
Finish goods, beginning of year	194,938
Finish goods purchased	1,302,898
Finish goods, end of year	(118,656)
Others	(190,907)
Total of production cost	2,058,113
Other operating cost	
Reversal of inventory write-downs	(12,438)
Income from sale of scraps	(3,964)
Loss on obsolete inventory	27,658
Others	(44,040)
	(32,784)
	$ 2,041,760

TATEMENT 16

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries	$ 43,090	$ 115,053	$ 68,162	$ 226,305
Export expense	22,382	-	-	22,382
Professional service fees	3,822	6,517	1,239	11,578
Commission expense	5,794	-	-	5,794
Depreciation expense	838	4,581	9,073	14,492
Utilities expense	105	747	1,852	2,704
Remuneration of directors	-	23,400	-	23,400
Consumption supplies	182	55	7,049	7,286
Shipping expense	5,798	631	97	6,526
Others	21,825	29,255	17,945	69,025
	$ 103,836	$ 180,239	$ 105,417	389,492
Gain on reversal of expected credit loss				(1,856)
				$ 387,636

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Labor cost						
Salary and bonuses	$ 143,429	$ 226,305	$ 369,734	$ 124,617	$ 192,220	$ 316,837
Labor and health insurance	12,293	14,579	26,872	11,743	14,362	26,105
Pension	6,159	6,624	12,783	5,919	6,562	12,481
Remuneration of directors	-	23,400	23,400	-	17,900	17,900
Others	11,010	8,808	19,818	10,275	8,622	18,897
	$ 172,891	$ 279,716	$ 452,607	$ 152,554	$ 239,666	$ 392,220
Depreciation	$ 54,063	$ 14,492	$ 68,555	$ 48,610	$ 15,510	$ 64,120
Amortization	1,647	2,355	4,002	1,566	5,143	6,709

Note:

a. As of December 31, 2020 and 2019, the Company had 439 and 437 employees, respectively. There were 5 non-employee director for both of the reporting period.

b. The average employee welfare expense for the years ended December 31, 2020 and 2019 was $989 thousand and $866 thousand, respectively.

c. The average employee salary and bonuses for the years ended December 31, 2020 and 2019 was $852 thousand and $733 thousand, respectively.

d. Change in the average employee salary and bonuses was 16%.

e. The Company has established an audit committee to replace the role of supervisor, so it has no remuneration for supervisor.

f. The Company's salary and remuneration policy (including directors, supervisors, managers and employees).

   1) Director

      The Company's remuneration of directors are distributed in accordance with the Articles of Incorporation. Please refer to Note 22 (g) for related regulations. The remuneration will be adjusted based on the Company's operating conditions and the related regulations. In consideration of the Company's sustainable development, the remuneration of directors will be submitted to the compensation committee and the board of directors for approval.

(Continued)

2) Manager

Based on the “Rules for Distribution of Compensation to Managers”, the Company’s compensation committee will take the manager’s services provided and standards of the industry into consideration.

Monthly salary: Depending on the manager’s job tenure and the value of job title. Salary movement should not exceed 150% of the industry standards.

Variable salary: Depending on the Company’s operating condition, including bonuses and employee remuneration.

3) Employee

The principle of the Company’s employee salary system stands on fairness and competitiveness. Employee salary includes monthly salary and variable salary. For the total amount of remuneration of employees, please refer to Note 22 (g). Salary of employee is distributed according to the “Regulation of Salary” and according to the employee’s duties and professional skills. Remuneration of employee is also distributed according to the “Regulation of Distribution of Cash and Shares Dividends” and according to the employee’s performance and contribution to the Company.

(Concluded)