

**Greatek Electronics Inc.**

**Financial Statements for the  
Three Months Ended March 31, 2021 and 2020 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Greatek Electronics Inc.

### **Introduction**

We have reviewed the accompanying balance sheets of Greatek Electronics Inc. (the "Corporation") as of March 31, 2021 and 2020 and the related statements of comprehensive income, changes in equity and cash flows for the three-months periods then ended, and related notes, including a summary of significant accounting policies (collectively referred to as the financial statements). Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not give a true and fair view of the financial position of the Corporation as of March 31, 2021 and 2020, and of its financial performance and its cash flows for the three-months periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting", which were endorsed and issued into effect by the Financial Supervisory Commission.

The engagement partners on the reviews resulting in this independent auditors' review report are Yu-Feng Huang and Cheng-Chih Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 29, 2021

Notice to Readers

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

*For the convenience of readers, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The English version have not reviewed by Deloitte & Touche. 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' review report and financial statements shall prevail.*

## GREATEK ELECTRONICS INC.

### BALANCE SHEETS

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash (Note 6)	\$ 4,215,122	19	\$ 3,934,707	18	\$ 3,495,935	18	Financial liabilities at fair value through profit or loss - current (Note 7)	\$ 4,283	-	\$ 5	-	\$ 1,358	-
Financial assets at fair value through profit or loss - current (Note 7)	103,578	-	129,296	1	100,253	-	Contract liabilities - current (Note 19)	51,625	-	56,676	-	45,934	-
Financial assets at amortized cost - current (Note 9)	300,000	1	300,000	1	250,109	1	Notes payable	3,489	-	3,535	-	9,226	-
Contract assets - current (Notes 19 and 25)	651,384	3	648,393	3	598,720	3	Accounts payable	1,011,569	4	957,905	4	796,005	4
Notes receivable (Notes 10 and 19)	109,587	-	119,529	-	77,457	-	Payables to equipment suppliers (Note 25)	256,213	1	320,723	2	249,594	2
Accounts receivable (Notes 10 and 19)	3,189,292	14	3,051,269	14	2,631,695	13	Accrued compensation to employees and remuneration to directors (Note 20)	595,216	3	431,294	2	403,260	2
Receivables from related parties (Notes 19 and 25)	403,668	2	350,627	2	329,769	2	Current income tax liabilities	668,254	3	448,165	2	393,820	2
Inventories (Note 11)	835,505	4	772,626	4	539,243	3	Lease liabilities - current (Note 13)	1,234	-	1,229	-	1,214	-
Prepaid expenses and other current assets (Notes 15 and 25)	109,940	1	138,020	1	123,291	1	Accrued expenses and other current liabilities (Notes 16 and 25)	809,080	4	1,043,124	5	560,053	3
Total current assets	<u>9,918,076</u>	<u>44</u>	<u>9,444,467</u>	<u>44</u>	<u>8,146,472</u>	<u>41</u>	Total current liabilities	<u>3,400,963</u>	<u>15</u>	<u>3,262,656</u>	<u>15</u>	<u>2,460,464</u>	<u>13</u>
<b>NON-CURRENT ASSETS</b>							<b>NON-CURRENT LIABILITIES</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	650,935	3	585,533	3	408,025	2	Deferred income tax liabilities	9,228	-	5,858	-	509	-
Financial assets at amortized cost - noncurrent (Note 9)	500,001	2	500,001	2	800,002	4	Lease liabilities - noncurrent (Note 13)	8,000	-	8,311	-	9,234	-
Property, plant and equipment (Note 12)	11,403,570	50	10,799,817	50	10,302,243	52	Guarantee deposits	16	-	16	-	16	-
Right-of-use assets (Notes 13)	9,066	-	9,385	-	10,342	-	Net defined benefit liability - noncurrent (Notes 4 and 17)	256,873	1	258,564	1	239,294	1
Intangible assets (Note 14)	56,752	-	63,037	-	75,196	-	Total non-current liabilities	<u>274,117</u>	<u>1</u>	<u>272,749</u>	<u>1</u>	<u>249,053</u>	<u>1</u>
Deferred income tax assets	38,321	-	39,186	-	33,812	-	Total liabilities	<u>3,675,080</u>	<u>16</u>	<u>3,535,405</u>	<u>16</u>	<u>2,709,517</u>	<u>14</u>
Other noncurrent assets (Notes 25 and 26)	90,648	1	90,698	1	90,417	1	<b>EQUITY (Notes 18 and 23)</b>						
Total non-current assets	<u>12,749,293</u>	<u>56</u>	<u>12,087,657</u>	<u>56</u>	<u>11,720,037</u>	<u>59</u>	Capital stock						
							Common stock	5,688,459	25	5,688,459	27	5,688,459	28
							Capital surplus	2,154	-	2,154	-	1,997	-
							Retained earnings						
							Legal reserve	3,260,735	14	3,260,735	15	3,072,210	16
							Special reserve	-	-	-	-	46,429	-
							Unappropriated earnings	9,924,478	44	8,994,310	42	8,350,001	42
							Other equity	116,463	1	51,061	-	(2,104)	-
							Total equity	<u>18,992,289</u>	<u>84</u>	<u>17,996,719</u>	<u>84</u>	<u>17,156,992</u>	<u>86</u>
<b>TOTAL</b>	<u>\$ 22,667,369</u>	<u>100</u>	<u>\$ 21,532,124</u>	<u>100</u>	<u>\$ 19,866,509</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 22,667,369</u>	<u>100</u>	<u>\$ 21,532,124</u>	<u>100</u>	<u>\$ 19,866,509</u>	<u>100</u>

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

# GREATEK ELECTRONICS INC.

## STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
NET SALES (Notes 19 and 25)	\$ 4,215,598	100	\$ 3,272,699	100
OPERATING COSTS (Notes 11, 17 and 20)	<u>3,011,225</u>	<u>72</u>	<u>2,502,666</u>	<u>76</u>
GROSS PROFIT	<u>1,204,373</u>	<u>28</u>	<u>770,033</u>	<u>24</u>
OPERATING EXPENSES (Notes 17 and 20)				
Selling and marketing expenses	15,055	-	11,421	-
General and administrative	66,623	2	49,213	2
Research and development	63,237	1	53,057	2
Expected credit gain	<u>(60,037)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>84,878</u>	<u>2</u>	<u>113,691</u>	<u>4</u>
OPERATING INCOME	<u>1,119,495</u>	<u>26</u>	<u>656,342</u>	<u>20</u>
NONOPERATING INCOME AND EXPENSES (Note 20)				
Interest income	5,698	-	8,271	-
Other income	13,340	-	6,235	-
Other gains	<u>16,039</u>	<u>1</u>	<u>13,155</u>	<u>1</u>
Total nonoperating income and expenses	<u>35,077</u>	<u>1</u>	<u>27,661</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,154,572	27	684,003	21
INCOME TAX EXPENSE (Notes 4 and 21)	<u>224,404</u>	<u>5</u>	<u>139,896</u>	<u>5</u>
NET INCOME	930,168	22	544,107	16
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income (Note 18)	<u>65,402</u>	<u>2</u>	<u>(41,745)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 995,570</u>	<u>24</u>	<u>\$ 502,362</u>	<u>15</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.64</u>		<u>\$ 0.96</u>	
Diluted	<u>\$ 1.62</u>		<u>\$ 0.95</u>	

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

**GREATEK ELECTRONICS INC.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<u>Share Capital Issued and Outstanding</u>		<u>Capital Surplus</u>	<u>Retained Earnings</u>			<u>Other Equity Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income</u>	<u>Total Equity</u>
	<u>Share (Thousands)</u>	<u>Amount</u>		<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>		
BALANCE, JANUARY 1, 2020	568,846	\$ 5,688,459	\$ 1,997	\$ 3,072,210	\$ 46,429	\$ 7,805,894	\$ 39,641	\$ 16,654,630
Net income for the three months ended March 31, 2020	-	-	-	-	-	544,107	-	544,107
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(41,745)	(41,745)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	544,107	(41,745)	502,362
BALANCE, MARCH 31, 2020	<u>568,846</u>	<u>\$ 5,688,459</u>	<u>\$ 1,997</u>	<u>\$ 3,072,210</u>	<u>\$ 46,429</u>	<u>\$ 8,350,001</u>	<u>\$ (2,104)</u>	<u>\$ 17,156,992</u>
BALANCE, JANUARY 1, 2021	568,846	\$ 5,688,459	\$ 2,154	\$ 3,260,735	\$ -	\$ 8,994,310	\$ 51,061	\$ 17,996,719
Net income for the three months ended March 31, 2021	-	-	-	-	-	930,168	-	930,168
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	65,402	65,402
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	930,168	65,402	995,570
BALANCE, MARCH 31, 2021	<u>568,846</u>	<u>\$ 5,688,459</u>	<u>\$ 2,154</u>	<u>\$ 3,260,735</u>	<u>\$ -</u>	<u>\$ 9,924,478</u>	<u>\$ 116,463</u>	<u>\$ 18,992,289</u>

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

# GREATEK ELECTRONICS INC.

## STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Current income before income tax	\$ 1,154,572	\$ 684,003
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	681,838	625,097
Amortization	6,930	6,730
Expected credit gain recognized on trade receivables	(60,037)	-
Net (gain) loss on fair value change of financial instruments designated as at fair value through profit or loss	(12,994)	4,589
Finance costs	40	45
Premium amortization of financial assets at amortized cost	-	280
Interest revenue	(5,698)	(8,271)
Net loss on disposal of property, plant and equipment	-	1
Recognition of inventory valuation and obsolescence losses	21,516	1,963
Net gain on foreign currency exchange	(23,534)	(28,490)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	42,990	(49,289)
Increase in contract assets	(2,991)	(36,116)
Decrease (increase) in notes receivable	9,942	(13,940)
(Increase) decrease in accounts receivable	(48,440)	48,768
(Increase) decrease in accounts receivable from related parties	(53,041)	8,354
Increase in inventories	(84,395)	(7,830)
Decrease (increase) in prepaid expenses and other current assets	29,863	(7,916)
Decrease in contract liabilities	(5,051)	(4,406)
(Decrease) increase in notes payable	(46)	950
Increase (decrease) in accounts payable	49,953	(14,399)
Increase in accrued bonus to employees and remuneration to directors	163,922	87,767
Decrease in accrued expenses and other accounts payable	(234,044)	(256,928)
Decrease in net defined benefit liability	(1,691)	(1,357)
Net cash provided by operating activities	1,629,604	1,039,605
Interest received	3,915	5,648
Interest paid	(40)	(45)
Income tax paid	(80)	(48)
Net cash provided by operating activities	<u>1,633,399</u>	<u>1,045,160</u>

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# GREATEK ELECTRONICS INC.

## STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ (185,300)
Proceeds from sale of financial assets measured at cost		-
Acquisition of property, plant and equipment	(1,349,663)	(981,749)
Decrease in refundable deposits	50	188
Increase in intangible assets	(645)	(1,258)
Net cash used in investing activities	<u>(1,350,258)</u>	<u>(1,168,119)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	<u>(306)</u>	<u>(300)</u>
Cash used in financing activities	<u>(306)</u>	<u>(300)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,420)</u>	<u>731</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	280,415	(122,528)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>3,934,707</u>	<u>3,618,463</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,215,122</u>	<u>\$ 3,495,935</u>

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

(Concluded)



# GREATEK ELECTRONICS INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Greatek Electronics Inc. (the “Corporation” or “Greatek”) was incorporated in the Republic of China (“ROC”) on March 7, 1983. The Corporation mainly provides semiconductor assembly and testing services on a turnkey basis.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (TSE) on October 26, 2000.

Powertech Technology Inc. (PTI) acquired Greatek’s 44.09% ownership, pursuant to Greatek’s board approval on December 21, 2011. On the reelection of the directors and supervisors of Greatek, PTI holds a majority of the directors seats and become parent. PTI has 42.91% ownership of Greatek as of March 31, 2021 and 2020.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were reported to the Board of Directors and issued on April 29, 2021.

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

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“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
Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”	April 1, 2021 (Note 8)
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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
	(Concluded)

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

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

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

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

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

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

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

Note 8: A lessee should apply the amendment for annual reporting periods beginning on or after April 1, 2021, recognizing the cumulative effect of initial application at the beginning of the annual reporting period.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

##### **a. Statement of compliance**

These interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the financial statements is less than those required in a complete set of annual financial statements.

b. Basis of preparation

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

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which 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 the 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 the asset or liability.

c. Other significant accounting policies

Except for the following, the accounting policies applied in these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2020. For the summary of other significant accounting policies, refer to the financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs

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

The critical accounting judgments and key sources of estimation uncertainty followed in these financial statements refer to the financial statements for the year ended December 31, 2020.

**6. CASH**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Bank deposits	<u>\$ 4,215,122</u>	<u>\$ 3,934,707</u>	<u>\$ 3,495,935</u>

The market rate intervals of cash in bank and cash equivalent at the end of the reporting period were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Bank deposits	0.06%-0.765%	0.06%-0.765%	0.09%-1.015%

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading - current			
Non-derivative financial assets			
Mutual funds	\$ 103,530	\$ 125,900	\$ 100,000
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>48</u>	<u>3,396</u>	<u>253</u>
	<u>\$ 103,578</u>	<u>\$ 129,296</u>	<u>\$ 100,253</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading - current			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 4,283</u>	<u>\$ 5</u>	<u>\$ 1,358</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amounts (In Thousands)</b>
<u>March 31, 2021</u>			
Sell forward exchange contracts	USD to NTD	2021.04.13-2021.06.16	USD9,800/NTD 274,959
<u>December 31, 2020</u>			
Sell forward exchange contracts	USD to NTD	2020.01.12-2020.03.16	USD10,900/NTD 309,518
<u>March 31, 2020</u>			
Sell forward exchange contracts	USD to NTD	2021.04.13-2021.06.16	USD9,600/NTD 288,127

The Corporation entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

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

### Investments in equity instruments at FVTOCI

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Non-current</u>			
Domestic investments			
Listed shares			
Ordinary shares - Powertech Technology Inc.	<u>\$ 650,935</u>	<u>\$ 585,533</u>	<u>\$ 408,025</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Domestic investments			
Corporate bonds - P07 Taiwan Power Company 1A Bond	\$ 200,000	\$ 200,000	\$ -
Corporate bonds - P06 FPC 1A Bond	50,000	50,000	-
Corporate bonds - P06 Taiwan Power Company 3A Bond	50,000	50,000	-
Corporate bonds - 02 Taiwan Power Company 1B Bond	-	-	150,109
Corporate bonds - P04 FENC 4 Bond	<u>-</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 250,109</u>
<u>Noncurrent</u>			
Domestic investments			
Corporate bonds - P06 Taiwan Power Company 1A Bond	\$ 300,000	\$ 300,000	\$ 300,001
Corporate bonds - P08 Taiwan Power Company 3A Bond	100,001	100,001	100,001
Corporate bonds - P06 Taiwan Power Company 3A Bond	50,000	50,000	100,000
Corporate bonds - P06 FPC 1A Bond	50,000	50,000	100,000
Corporate bonds - P07 Taiwan Power Company 1A Bond	<u>-</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 500,001</u>	<u>\$ 500,001</u>	<u>\$ 800,002</u>

On November 16, 2015, the Corporation bought corporate bonds issued by Far Eastern New Century Corporation, which have an effective interest rate of 1.25%; a premium value of \$100,001 thousand (par value \$100,000 thousand); and maturity date on November 16, 2020.

On September 26, 2016, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.63% at premium value \$154,054 thousand (par value \$150,000 thousand), and a maturity date of May 6, 2020.

On April 21, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value \$300,002 thousand (par value \$300,000 thousand), and a maturity date of April 21, 2022.

On May 19, 2017, the Corporation bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at par value \$100,000 thousand, and maturity dates of May 19, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On December 15, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at par value \$100,000 thousand, and maturity dates of December 15, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On May 14, 2018, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.70% at premium value \$200,001 thousand (par value \$200,000 thousand), and a maturity date of May 14, 2021.

On September 12, 2019, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.72% at par value \$100,000 thousand, and maturity dates of September 12, 2023 and 2024, at par value of \$50,000 thousand, respectively.

Refer to Note 24 for information relating to their credit risk management and impairment.

## 10. NOTES AND ACCOUNTS RECEIVABLE, NET

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Notes receivable - operating	<u>\$ 109,587</u>	<u>\$ 119,529</u>	<u>\$ 77,457</u>
Accounts receivable	\$ 3,240,461	\$ 3,077,194	\$ 2,686,575
Less: Allowance for impairment loss	<u>(51,169)</u>	<u>(25,925)</u>	<u>(54,880)</u>
	<u>\$ 3,189,292</u>	<u>\$ 3,051,269</u>	<u>\$ 2,631,695</u>

The average credit period of sales of goods was 60 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivables. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

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

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

March 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 3,197,028	\$ 38,835	\$ 2,083	\$ 1,921	\$ 594	\$ 3,240,461
Loss allowance (Lifetime ECL)	<u>(36,391)</u>	<u>(10,180)</u>	<u>(2,083)</u>	<u>(1,921)</u>	<u>(594)</u>	<u>(51,169)</u>
Amortized cost	<u>\$ 3,160,637</u>	<u>\$ 28,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,189,292</u>

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 3,018,248	\$ 46,074	\$ 7,162	\$ 4,657	\$ 1,053	\$ 3,077,194
Loss allowance (Lifetime ECL)	<u>(4,292)</u>	<u>(14,171)</u>	<u>(4,499)</u>	<u>(2,941)</u>	<u>(22)</u>	<u>(25,925)</u>
Amortized cost	<u>\$ 3,013,956</u>	<u>\$ 31,903</u>	<u>\$ 2,663</u>	<u>\$ 1,716</u>	<u>\$ 1,031</u>	<u>\$ 3,051,269</u>

March 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 2,535,868	\$ 39,576	\$ 18,825	\$ 71,636	\$ 20,670	\$ 2,686,575
Loss allowance (Lifetime ECL)	<u>(2,051)</u>	<u>(7,834)</u>	<u>(3,374)</u>	<u>(21,849)</u>	<u>(19,772)</u>	<u>(54,880)</u>
Amortized cost	<u>\$ 2,533,817</u>	<u>\$ 31,742</u>	<u>\$ 15,451</u>	<u>\$ 49,787</u>	<u>\$ 898</u>	<u>\$ 2,631,695</u>

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

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 25,925	\$ 54,880
Add: Amounts recovered	85,281	-
Less: Net remeasurement of loss allowance	<u>(60,037)</u>	<u>-</u>
Balance at March 31	<u>\$ 51,169</u>	<u>\$ 54,880</u>

**11. INVENTORIES**

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 701,179	\$ 663,156	\$ 462,068
Supplies	<u>134,326</u>	<u>109,470</u>	<u>77,175</u>
	<u>\$ 835,505</u>	<u>\$ 772,626</u>	<u>\$ 539,243</u>

The costs of inventories recognized as cost of goods sold were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Provision of inventory valuation and obsolescence losses	<u>\$ 21,516</u>	<u>\$ 1,963</u>
Unallocated overheads	<u>\$ 32,521</u>	<u>\$ 55,647</u>
Sales of scrapes	<u>\$ (14,399)</u>	<u>\$ (13,144)</u>
Operating Costs	<u>\$ 3,011,225</u>	<u>\$ 2,502,666</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

Cost	<b>For the Three Months Ended March 31, 2020</b>									
	Land	Building	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Balance, beginning of period	\$ 1,316,801	\$ 3,805,315	\$ 17,065,439	\$ 16,714	\$ 77,600	\$ 463,389	\$ 607,075	\$ 5,983	\$ 145,266	\$ 23,503,582
Additions	-	12,600	116,682	-	12,108	1,060	617,584	-	111,319	871,353
Disposals	-	-	-	-	(11)	-	-	-	(102,129)	(102,140)
Reclassified	-	5,983	445,705	-	190	646	(446,541)	(5,983)	-	-
Balance, end of period	<u>1,316,801</u>	<u>3,823,898</u>	<u>17,627,826</u>	<u>16,714</u>	<u>89,887</u>	<u>465,095</u>	<u>778,118</u>	<u>-</u>	<u>154,456</u>	<u>24,272,795</u>
<b>Accumulated depreciation</b>										
Balance, beginning of period	-	1,748,897	11,335,333	9,001	46,878	307,804	-	-	-	13,447,913
Depreciation expense	-	64,743	442,721	519	2,503	12,163	-	-	102,129	624,778
Disposals	-	-	-	-	(10)	-	-	-	(102,129)	(102,139)
Balance, end of period	<u>-</u>	<u>1,813,640</u>	<u>11,778,054</u>	<u>9,520</u>	<u>49,371</u>	<u>319,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,970,552</u>
Net book value, beginning of period	<u>\$ 1,316,801</u>	<u>\$ 2,056,418</u>	<u>\$ 5,730,106</u>	<u>\$ 7,713</u>	<u>\$ 30,722</u>	<u>\$ 155,585</u>	<u>\$ 607,075</u>	<u>\$ 5,983</u>	<u>\$ 145,266</u>	<u>\$ 10,055,669</u>
Net book value, end of period	<u>\$ 1,316,801</u>	<u>\$ 2,010,258</u>	<u>\$ 5,849,772</u>	<u>\$ 7,194</u>	<u>\$ 40,516</u>	<u>\$ 145,128</u>	<u>\$ 778,118</u>	<u>\$ -</u>	<u>\$ 154,456</u>	<u>\$ 10,302,243</u>
	<b>For the Three Months Ended March 31, 2021</b>									
Cost	Land	Building	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Balance, beginning of period	\$ 1,316,801	\$ 3,838,721	\$ 18,804,498	\$ 18,214	\$ 99,223	\$ 482,728	\$ 611,443	\$ 79,764	\$ 189,393	\$ 25,440,785
Additions	-	10,943	188,392	469	5,121	6,375	755,059	184,076	134,837	1,285,272
Disposals	-	-	-	-	(342)	-	-	-	(122,184)	(122,526)
Reclassified	-	78,220	449,103	1,620	-	-	(450,723)	(78,220)	-	-
Balance, end of period	<u>1,316,801</u>	<u>3,927,884</u>	<u>19,441,993</u>	<u>20,303</u>	<u>104,002</u>	<u>489,103</u>	<u>915,779</u>	<u>185,620</u>	<u>202,046</u>	<u>26,603,531</u>
<b>Accumulated depreciation</b>										
Balance, beginning of period	-	2,003,335	12,212,937	11,068	57,977	355,651	-	-	-	14,640,968
Depreciation expense	-	56,641	487,749	678	3,016	11,251	-	-	122,184	681,519
Disposals	-	-	-	-	(342)	-	-	-	(122,184)	(122,526)
Balance, end of period	<u>-</u>	<u>2,059,976</u>	<u>12,700,686</u>	<u>11,746</u>	<u>60,651</u>	<u>366,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,199,961</u>
Net book value, beginning of period	<u>\$ 1,316,801</u>	<u>\$ 1,835,386</u>	<u>\$ 6,591,561</u>	<u>\$ 7,146</u>	<u>\$ 41,246</u>	<u>\$ 127,077</u>	<u>\$ 611,443</u>	<u>\$ 79,764</u>	<u>\$ 189,393</u>	<u>\$ 10,799,817</u>
Net book value, end of period	<u>\$ 1,316,801</u>	<u>\$ 1,867,908</u>	<u>\$ 6,741,307</u>	<u>\$ 8,557</u>	<u>\$ 43,351</u>	<u>\$ 122,201</u>	<u>\$ 915,779</u>	<u>\$ 185,620</u>	<u>\$ 202,046</u>	<u>\$ 11,403,570</u>

The above items of property, plant and equipment were depreciated on a straight-line basis at the following rates per annum:

Buildings	
Main plants	26 years
Mechanical and electrical power equipment	6-11 years
Others	6-51 years
Machinery and equipment	2-10 years
Transportation equipment	6 years
Office equipment	3-7 years
Other equipment	2-16 years
Spare parts	0.5 years



### 13. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Machinery and Equipment	\$ <u>9,066</u>	\$ <u>9,385</u>	\$ <u>10,342</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
<u>Depreciation charge for right-of-use assets</u>			
Machinery and Equipment		\$ <u>319</u>	\$ <u>319</u>

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Current	\$ <u>1,234</u>	\$ <u>1,229</u>	\$ <u>1,214</u>
Non-current	\$ <u>8,000</u>	\$ <u>8,311</u>	\$ <u>9,234</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Machinery and equipment	1.695%	1.695%	1.695%

c. Material lease-in activities and terms

The Corporation leases certain machinery equipment for the use of assembly and testing service with lease terms of 14 years. The Corporation has no options to purchase the equipment for a nominal amount at the end of the lease terms.

### 14 INTANGIBLE ASSETS

	<b>For the Three Months Ended March 31, 2020</b>
	<b>Computer Software</b>
<u>Cost</u>	
Balance, beginning of period	\$ 142,976
Additions	1,258
Disposals	<u>(7,852)</u>
Balance, end of period	<u>136,382</u>

(Continued)

	<b>For the Three Months Ended March 31, 2020</b>
	<b>Computer Software</b>
<u>Accumulated amortization</u>	
Balance, beginning of period	\$ 62,308
Additions	6,730
Disposals	<u>(7,852)</u>
Balance, end of period	<u>61,186</u>
Net book value, beginning of period	<u>\$ 80,668</u>
Net book value, end of period	<u>\$ 75,196</u> (Concluded)

	<b>For the Three Months Ended March 31, 2021</b>
	<b>Computer Software</b>
<u>Cost</u>	
Balance, beginning of period	\$ 140,246
Additions	645
Disposals	<u>(1,454)</u>
Balance, end of period	<u>139,437</u>
<u>Accumulated amortization</u>	
Balance, beginning of period	77,209
Additions	6,930
Disposals	<u>(1,454)</u>
Balance, end of period	<u>82,685</u>
Net book value, beginning of period	<u>\$ 63,037</u>
Net book value, end of period	<u>\$ 56,752</u>

Computer software was amortized on a straight-line basis at 5 years.

## 15. OTHER ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Inventory of supplies	\$ 30,754	\$ 27,844	\$ 24,867
Tax refund receivables	26,489	37,876	20,853
Other receivables	17,398	19,795	29,543
Tax overpaid	10,922	27,813	26,876
advance payments	9,871	7,911	1,937
Interest receivable	6,719	4,936	9,399
Others (a)	<u>7,787</u>	<u>11,845</u>	<u>9,816</u>
	<u>\$ 109,940</u>	<u>\$ 138,020</u>	<u>\$ 123,291</u>
<u>Non-current</u>			
Pledged deposits (b)	\$ 83,700	\$ 83,700	\$ 83,700
Refundable deposits	<u>6,948</u>	<u>6,998</u>	<u>6,717</u>
	<u>\$ 90,648</u>	<u>\$ 90,698</u>	<u>\$ 90,417</u>

a. Other current assets include prepaid insurances, payment on behalf of others , temporary debits, and prepaid rents.

b. Pledge deposits are guarantee deposits for domestic sales and gas volume in CPC Corporation.

## 16. OTHER LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Accrued expenses			
Bonus	\$ 299,859	\$ 565,119	\$ 165,981
Indemnification payable	151,353	111,883	86,554
Labor and health insurance	45,843	50,313	38,437
Utilities	34,769	33,481	30,620
Others (a)	<u>224,635</u>	<u>247,860</u>	<u>196,135</u>
	<u>756,459</u>	<u>1,008,656</u>	<u>517,727</u>
Other current liabilities			
Behalf of the collection	31,445	27,453	34,082
Temporary receipts	<u>21,176</u>	<u>7,015</u>	<u>8,244</u>
	<u>52,621</u>	<u>34,468</u>	<u>42,326</u>
	<u>\$ 809,080</u>	<u>\$1,043,124</u>	<u>\$ 560,053</u>

- a. Other accrued expenses include accrued benefit retirement, spare parts, services, and employment security fees.

Indemnification payable are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## 17. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “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. Employee benefit expenses in respect of the Corporation’s defined contribution retirement plans were \$27,752 thousand and \$24,794 thousand for the three months ended March 31, 2021 and 2020, respectively.

- b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

Employee benefit expenses in respect of the Corporation’s defined benefit retirement plans were \$476 thousand and \$754 thousand for the three months ended March 31, 2021 and 2020, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

## 18. EQUITY

- a. Ordinary shares

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Numbers of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>568,846</u>	<u>568,846</u>	<u>568,846</u>
Shares issued	<u>\$ 5,688,459</u>	<u>\$ 5,688,459</u>	<u>\$ 5,688,459</u>

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

There are 20,000 thousand shares reserved for employee stock options.

b. Capital surplus

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>			
Share premium	\$ 1,647	\$ 1,647	\$ 1,647
<u>May be used to offset a deficit only</u>			
Donations from shareholders	<u>507</u>	<u>507</u>	<u>350</u>
	<u>\$ 2,154</u>	<u>\$ 2,154</u>	<u>\$ 1,997</u>

The premium from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year). The capital surplus from employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income in the following order:

- 1) Deducted for accumulated deficits. (include current year's adjusted undistributed earnings)
- 2) Appropriate the 10% as the legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply.
- 3) Appropriate or reverse the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.
- 4) The board of directors will draft a resolution declaring a dividend equaling the sum of previous years' surpluses and current year's adjusted undistributed earnings, less previous expense balances. The shareholders will ultimately decide whether the amount should be distributed as dividends or retained within the Corporation.

For information on the accrued employees' compensation and remuneration to directors and the actual appropriations, please refer to the employee benefit expense shown in Note 20 (f).

Dividends are distributed in the form of cash, common shares or a combination of cash and common shares. In consideration of the Corporation's being in a capital-intensive industry as well as the long-term development, overall environment, industrial growth characteristics, capital demand, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, the Corporation's Articles of Incorporation provide that the total of cash dividends paid in any given year should be at least 30% of total dividends distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's capital surplus. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's capital surplus, the excess may be transferred to capital or distributed in cash.

The Corporation appropriates or reverses a special reserve in accordance with Rule No.1010012865 issued by the FSC.

The appropriations of earnings for 2020 and 2019 had been proposed by the board of directors on February 26, 2021 and approved in the shareholders' meetings on May 27, 2020, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings For Year 2020</u>	<u>Appropriation of Earnings For Year 2019</u>	<u>Dividends Per Share (\$)</u>	
			<u>For Year 2020</u>	<u>For Year 2019</u>
Legal reserve	\$ 263,885	\$ 188,525	\$ -	\$ -
Special reserve	-	(46,429)	-	-
Cash dividends	1,763,422	1,308,346	3.1	2.3

The appropriations from the 2020 of earnings will be presented to the shareholders for their approval in their meeting on May 28, 2021.

d. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 51,061	\$ 39,641
Add: Net measurement of loss allowance (a)	<u>65,402</u>	<u>(41,745)</u>
Balance at March 31	<u>\$ 116,463</u>	<u>\$ (2,104)</u>

## 19. REVENUE

a. Contract information

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from assembly service	\$ 3,555,943	\$ 2,761,712
Revenue from testing service	<u>659,655</u>	<u>510,987</u>
	<u>\$ 4,215,598</u>	<u>\$ 3,272,699</u>

When the Corporation fulfilled the assembly service contract, the customer controls the goods when they are created or enhanced, the Corporation has the right to perform the collection if partial of the assembly service contract have been fulfilled, and the revenue from assembly service is recognized over time. When the Corporation fulfilled the testing service contract, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance, the Corporation has the right to perform the collection if partial of the testing service contract have been fulfilled, and the revenue from testing service is recognized over time.

b. Contact balances

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Notes and accounts receivables (included related parties) (Note 10)	<u>\$ 3,702,547</u>	<u>\$ 3,521,425</u>	<u>\$ 3,038,921</u>	<u>\$ 3,045,577</u>
Contract assets-current				
Revenue from services	\$ 651,384	\$ 648,393	\$ 598,720	\$ 562,604
Less: Allowance for impairment loss	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
	<u>\$ 651,384</u>	<u>\$ 648,393</u>	<u>\$ 598,720</u>	<u>\$ 562,604</u>
Contract liabilities- current				
Revenue from services	<u>\$ 51,625</u>	<u>\$ 56,676</u>	<u>\$ 45,934</u>	<u>\$ 50,340</u>

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Corporation's performance and the customer's payment

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
From the beginning contract liability		
Revenue from services	<u>\$ 25,492</u>	<u>\$ 21,182</u>

c. Disaggregation of revenue

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Primary geographical markets</u>		
Taiwan (The location of the Corporation)	\$ 3,173,663	\$ 2,592,661
America	451,898	244,053
Asia	315,726	168,762
Europe	<u>274,311</u>	<u>267,223</u>
	<u>\$ 4,215,598</u>	<u>\$ 3,272,699</u>

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Interest income

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 3,854	\$ 5,884
Financial assets measured at amortized cost	<u>1,844</u>	<u>2,387</u>
	<u>\$ 5,698</u>	<u>\$ 8,271</u>

### b. Other income

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Others	<u>\$ 13,340</u>	<u>\$ 6,235</u>

### c. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Net gain (loss) arising on financial instruments classified as held for trading	\$ 14,077	\$ (798)
Net gain on foreign currency exchange	2,233	14,655
Financial costs	(40)	(45)
Others	<u>(231)</u>	<u>(657)</u>
	<u>\$ 16,039</u>	<u>\$ 13,155</u>

### d. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of deprecation by function		
Operating costs	\$ 674,682	\$ 617,267
Operating expenses	<u>7,156</u>	<u>7,830</u>
	<u>\$ 681,838</u>	<u>\$ 625,097</u>
An analysis of amortization by function		
Operating costs	\$ 4,924	\$ 4,580
Selling and marketing expenses	-	-
General and administrative	624	768
Research and development	<u>1,382</u>	<u>1,382</u>
	<u>\$ 6,930</u>	<u>\$ 6,730</u>



e. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (see Note 17)		
Defined contribution plans	\$ 27,752	\$ 24,794
Defined benefit plans	<u>476</u>	<u>754</u>
	28,228	25,548
Other employee benefits	<u>1,033,881</u>	<u>822,276</u>
Total employee benefits expense	<u>\$1,062,109</u>	<u>\$ 847,824</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 939,291	\$ 758,990
Operating expenses	<u>122,818</u>	<u>88,834</u>
	<u>\$1,062,109</u>	<u>\$ 847,824</u>

f. Employees' compensation and remuneration of directors

The Corporation stipulate to distribute employees' compensation and remuneration of directors at the rates between 9% to 15% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three month ended March 31, 2021 and 2020, the employees' compensation and the remuneration of directors were as follows:

Accrual rate

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	10%	9%
Remuneration of directors	2%	2%

Amount

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	\$ 136,602	\$ 73,139
Remuneration of directors	<u>\$ 27,320</u>	<u>\$ 14,628</u>

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

The appropriations of employees' compensation and remuneration of directors for 2020 and 2019 having been resolved by the board of directors on February 26, 2021 and March 3, 2020, respectively, were as below:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Share</b>	<b>Cash</b>	<b>Share</b>
Employees' compensation	\$ 359,412	\$ -	\$ 262,911	\$ -
Remuneration of directors	71,882	-	52,582	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2020 and 2019

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- g. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 28,462	\$ 14,472
Foreign exchange losses	<u>(26,229)</u>	<u>183</u>
	<u>\$ 2,233</u>	<u>\$ 14,655</u>

## 21 INCOME TAXES

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current period	\$ 220,169	\$ 137,284
Deferred tax		
In respect of the current period	<u>4,235</u>	<u>2,612</u>
Income tax expense recognized in profit or loss	<u>\$ 224,404</u>	<u>\$ 139,896</u>

In July 2020, the President of the ROC approved the announcement of the amendments to the Statute of Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in certain assets or technologies above a specific amount are allowed as deduction when computing the income tax on unappropriated earnings.

- b. Income tax assessments

Income tax returns through 2019 have been examined and cleared by the tax authorities.

## 22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2021	2020
Basic earnings per share	<u>\$ 1.64</u>	<u>\$ 0.96</u>
Diluted earnings per share	<u>\$ 1.62</u>	<u>\$ 0.95</u>

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

### Net Profit for the Periods

	For the Three Months Ended March 31	
	2021	2020
Net profit attributable to owners of the Corporation	\$ 930,168	\$ 544,107
Effect to dilutive potential ordinary shares:		
Employees' compensation	<u>-</u>	<u>-</u>
Net profit in computation of diluted earnings per share	<u>\$ 930,168</u>	<u>\$ 544,107</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Three Months Ended March 31	
	2021	2020
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	568,846	568,846
Effect to dilutive potential ordinary share:		
Employees' compensation	<u>5,083</u>	<u>5,635</u>
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>573,929</u>	<u>574,481</u>

Since the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were 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.

## 23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as going concerns while maximizing the return to stakeholders. The Corporation's overall strategy has no significant variations.

The capital structure of the Corporation consists of comprising issued capital, reserves and retained earnings.

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 24. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

March 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 800,001	\$ -	\$ 803,836	\$ -	\$ 803,836

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 800,001	\$ -	\$ 804,895	\$ -	\$ 804,895

March 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 1,050,111	\$ -	\$ 1,055,097	\$ -	\$ 1,055,097

The fair value of level 2 mentioned above was used quoted price from Taipei Exchange (Taiwan GreTai Securities Market).

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

1) Fair value hierarchy

March 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	\$ 103,530	\$ -	\$ -	\$ 103,530
Forward exchange contracts	<u>-</u>	<u>48</u>	<u>-</u>	<u>48</u>
	<u>\$ 103,530</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 103,578</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic Listed shares	<u>\$ 650,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,935</u>
Financial liabilities at FVTPL				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 4,283</u>	<u>\$ -</u>	<u>\$ 4,283</u>

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	\$ 125,900	\$ -	\$ -	\$ 125,900
Forward exchange contracts	<u>-</u>	<u>3,396</u>	<u>-</u>	<u>3,396</u>
	<u>\$ 125,900</u>	<u>\$ 3,396</u>	<u>\$ -</u>	<u>\$ 129,296</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic Listed shares	<u>\$ 585,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,533</u>
Financial liabilities at FVTPL				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 5</u>

March 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	\$ 100,000	\$ -	\$ -	\$ 100,000
Forward exchange contracts	<u>-</u>	<u>253</u>	<u>-</u>	<u>253</u>
	<u>\$ 100,000</u>	<u>\$ 253</u>	<u>\$ -</u>	<u>\$ 100,253</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic Listed shares	<u>\$ 408,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,025</u>
Financial liabilities at FVTPL				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,358</u>	<u>\$ -</u>	<u>\$ 1,358</u>

There were no transfers between Level 1 and 2 in the current and prior periods.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow.
	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

- c. Categories of financial instruments

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 103,578	\$ 129,296	\$ 100,253
Financial assets at amortized cost (Note 1)	8,825,487	8,364,564	7,707,609
Financial assets at FVTOCI			
Equity instruments	650,935	585,533	408,025
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	4,283	5	1,358
Amortized cost (Note 2)	1,452,673	1,482,372	1,204,442

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, debt investments, notes and accounts receivables (included related parties), other receivables and other assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes and accounts payable, payables to equipment suppliers and other payables.

d. Financial risk management objectives and policies

The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 52% and 51% of the Corporation's sales were denominated in currencies other than the functional currency of the Corporation entity making the sale, whilst almost 17% and 16% of costs were denominated in the Corporation entity's functional currency for the three months ended March 31, 2021 and 2020. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

The Corporation use forward exchange contracts to eliminate currency exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

The Corporation was mainly exposed to the currency USD. The sensitivity analysis included currency USD denominated monetary items at the end of the reporting period. For a 1% strengthening and weakening of New Taiwan dollars against US dollars, the Corporation's pre-tax profit for the three months ended March 31, 2021 and 2020 would decrease/increase by \$15,879 thousand and \$13,915 thousand.

b) Interest rate risk

The carrying amount of the Corporation's financial assets with exposure to interest rates at the end of the reporting period was as follows. The Corporation's interest rate risk also comes from borrowings at floating interest rates.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 3,980,709	\$ 3,787,177	\$ 3,350,148
Cash flow interest rate risk			
Financial assets	318,113	231,230	229,487

Sensitivity analysis

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the three months ended March 31, 2021 and 2020 would increase/decrease by \$398 thousand and \$287 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its variable-rate net assets.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in financial assets classified as fair value through profit or loss (i.e. FVTPL), available-for-sale, and fair value through other comprehensive income (i.e. FVTOCI).

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 1% higher/lower, the Corporation's pre-tax profit for the three months ended March 31, 2021 and 2020 would increase/decrease by \$1,035 thousand and \$1,000 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTPL. If equity prices had been 1% higher/lower, the Corporation's other comprehensive income for the three months ended March 31, 2021 and 2020 would increase/decrease by \$6,509 thousand and \$4,080 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

In order to minimize credit risk, the management of the Corporation has set credit and accounts receivable management approach to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.



The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit.

Credit risk management for investments in debt instruments classified as at amortized cost was as follow.

The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%

### 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed, high liquidity securities and reserve borrowing facilities adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

#### a) Liquidity of non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

#### March 31, 2021

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 1,015,058	\$ -	\$ -	\$ -	\$ -
Lease liabilities	345	345	690	4,815	3,745
Payables to equipment suppliers	256,213	-	-	-	-
Other payables	<u>181,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,453,018</u>	<u>\$ 345</u>	<u>\$ 690</u>	<u>\$ 4,815</u>	<u>\$ 3,745</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 1,380	\$ 4,815	\$ 2,985	\$ 760	\$ -	\$ -

December 31, 2020

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 961,440	\$ -	\$ -	\$ -	\$ -
Lease liabilities	345	345	690	4,950	3,955
Payables to equipment suppliers	320,723	-	-	-	-
Other payables	<u>200,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,482,717</u>	<u>\$ 345</u>	<u>\$ 690</u>	<u>\$ 4,950</u>	<u>\$ 3,955</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 1,380	\$ 4,950	\$ 3,075	\$ 880	\$ -	\$ -

March 31, 2020

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 805,231	\$ -	\$ -	\$ -	\$ -
Lease liabilities	345	345	690	5,295	4,645
Payables to equipment suppliers	249,594	-	-	-	-
Other payables	<u>149,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,204,787</u>	<u>\$ 345</u>	<u>\$ 690</u>	<u>\$ 5,295</u>	<u>\$ 4,645</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 1,380	\$ 5,295	\$ 3,405	\$ 1,240	\$ -	\$ -

b) Liquidity of derivative financial liabilities

The following table detailed the Corporation's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

March 31, 2021

	<b>On Demand or Less than 3 Month</b>	<b>3-6 Months</b>	<b>6 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Forward exchange contracts					
Inflows	\$ 274,959	\$ -	\$ -	\$ -	\$ -
Outflows	<u>(279,153)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (4,194)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	<b>On Demand or Less than 3 Month</b>	<b>3-6 Months</b>	<b>6 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 309,518	\$ -	\$ -	\$ -	\$ -
Outflows	<u>(309,887)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2020

	<b>On Demand or Less than 3 Month</b>	<b>3-6 Months</b>	<b>6 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Forward exchange contracts					
Inflows	\$ 288,127	\$ -	\$ -	\$ -	\$ -
Outflows	<u>(289,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (1,553)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**25. TRANSACTIONS WITH RELATED PARTIES**

The Corporation's parent is PTI, which held 42.91% of common shares of the Corporation as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

Details of transactions between the Corporation and related parties are disclosed below.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Corporation</u>
Powertech Technology Inc.	Parent entity
Realtek Semiconductor Corp.	Other related parties
Realtek Singapore Private Limited	Other related parties
Raymx Microelectronics Corp.	Other related parties
Powertech Technology (Singapore) Pte Ltd.	Fellow subsidiaries

b. Revenue

Account Items	Related Parties Types	For the Three Months Ended March 31	
		2021	2020
Subcontract revenue	Other related parties	\$ 352,548	\$ 295,611
	Parent entity	<u>46,694</u>	<u>14,983</u>
		<u>\$ 399,242</u>	<u>\$ 310,594</u>

Sales transactions with related parties were made at the Corporation's usual list prices. The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties.

c. Purchase

Related Parties Types	For the Three Months Ended March 31	
	2021	2020
Parent entity	<u>\$ -</u>	<u>\$ 30</u>

d. Contract assets

Related Parties Types	March 31, 2021	December 31, 2020	March 31, 2020
Other related parties	\$ 45,783	\$ 41,235	\$ 35,704
Parent entity	<u>2,647</u>	<u>1,968</u>	<u>1,278</u>
	<u>\$ 48,430</u>	<u>\$ 43,203</u>	<u>\$ 36,982</u>

For the three months ended March 31, 2021 and 2020, and for the year ended December 31, 2020, no impairment loss was recognized for contract assets from related parties.

e. Manufacturing expenses

Related Parties Types	For the Three Months Ended March 31	
	2021	2020
Parent entity	\$ 3,427	\$ -
Fellow subsidiaries	<u>-</u>	<u>1,404</u>
Parent entity	<u>\$ 3,427</u>	<u>\$ 1,404</u>

The prices and payment terms were negotiated and thus not comparable with those in the market.

f. Account receivables from related parties

<b>Account Items</b>	<b>Related Parties Types</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Account receivables from related parties	Other related parties	\$ 346,456	\$ 318,707	\$ 312,575
	Parent entity	<u>57,212</u>	<u>31,920</u>	<u>17,194</u>
		<u>\$ 403,668</u>	<u>\$ 350,627</u>	<u>\$ 329,769</u>

g. Other receivables

<b>Account Items</b>	<b>Related Parties Types</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Prepaid expenses and other current assets	Parent entity	\$ 3,983	\$ 1,348	\$ 8,962
	Other related parties			
	Realtek Singapore Private Limited	53	3,357	-
	Other	<u>113</u>	<u>354</u>	<u>-</u>
		<u>\$ 4,149</u>	<u>\$ 5,059</u>	<u>\$ 8,962</u>

h. Payables to equipment suppliers

<b>Account Items</b>	<b>Related Parties Types</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Payables to equipment suppliers	Parent entity	\$ 2,724	\$ 37,542	\$ -
	Fellow subsidiaries	<u>-</u>	<u>2,226</u>	<u>-</u>
		<u>\$ 2,724</u>	<u>\$ 39,768</u>	<u>\$ -</u>

i. Accrued expenses

<b>Account Items</b>	<b>Related Parties Types</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Accrued expenses and other current liabilities	Parent entity	\$ 2,108	\$ 3,997	\$ 163
	Fellow subsidiaries	<u>-</u>	<u>757</u>	<u>1,484</u>
		<u>\$ 2,108</u>	<u>\$ 4,754</u>	<u>\$ 1,647</u>

j. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	\$ 35,164	\$ 21,002
Post-employment benefits	<u>63</u>	<u>50</u>
	<u>\$ 35,227</u>	<u>\$ 21,052</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

## 26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as collateral mainly for guarantee deposits for domestic sales and gas volume in CPC Corporation.

	March 31, 2021	December 31, 2020	March 31, 2020
Pledge deposits (classified as other asset - noncurrent)	<u>\$ 83,700</u>	<u>\$ 83,700</u>	<u>\$ 83,700</u>

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencie of the Corporation at March 31,2021 was as follows:

### a. Significant unrecognized commitments

In March 2021, the Corporation signed a contract worth \$510,000 thousand with Jian Ming Contractor Co., Ltd. to setup a new plant. As of March 31, 2021, the Corporation has paid a total of 153,000 thousand.

## 28. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2021		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,427	28.485 (USD:NTD)	<u>\$ 1,977,622</u>
Non-monetary items			
Derivative instruments			
USD	1,000	28.489 (USD:NTD)	<u>\$ 48</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 13,633	28.585 (USD:NTD)	\$ 389,700
JPY	212,425	0.2597 (JPY:NTD)	55,167
EUR	90	33.680 (EUR:NTD)	<u>3,021</u>
			<u>\$ 447,888</u>

(Continued)

	<b>March 31, 2021</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Non-monetary items			
Derivative instruments			
USD	8,800	28.489 (USD:NTD)	\$ <u>4,283</u> (Concluded)
	<b>December 31, 2020</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 62,548	28.430 (USD:NTD)	\$ <u>1,778,253</u>
Non-monetary items			
Derivative instruments			
USD	10,100	28.085 (USD:NTD)	\$ <u>3,396</u>
<u>Financial liabilities</u>			
Monetary items			
USD	11,628	28.530 (USD:NTD)	\$ 331,752
JPY	150,580	0.2783 (JPY:NTD)	41,906
EUR	90	35.220 (EUR:NTD)	<u>3,159</u>
			\$ <u>376,817</u>
Non-monetary items			
Derivative instruments			
USD	800	28.085 (USD:NTD)	\$ <u>5</u>
	<b>March 31, 2020</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 54,112	30.175 (USD:NTD)	\$ <u>1,632,833</u>
Non-monetary items			
Derivative instruments			
USD	\$ 3,100	30.128 (USD:NTD)	\$ <u>253</u> (Continued)

	<b>March 31, 2020</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	7,970	30.275 (USD:NTD)	\$ 241,306
JPY	95,916	0.2808 (JPY:NTD)	26,933
EUR	90	33.440 (EUR:NTD)	<u>3,000</u>
			<u>\$ 271,239</u>
Non-monetary items			
Derivative instruments			
USD	6,500	30.128 (USD:NTD)	<u>\$ 1,358</u>
			(Concluded)

For the three months ended March 31, 2021 and 2020, realized and unrealized net foreign exchange gains were \$2,233 thousand and \$14,655 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Corporation entities.

## 29. SEPARATELY DISCLOSED ITEMS

Information about significant transactions and investees:

- a. Loans provided to other parties: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Table 1 (attached).
- d. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- e. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: Table 2 (attached).
- f. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 3 (attached).
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached).
- i. Derivative transactions: Note 7.
- j. Names, locations, and related information of investees over which the Corporation exercises significant influence: None.
- k. Information on investment in mainland China: None.
- l. Information of major shareholders: Table 5 (attached).



### **30. SEGMENT INFORMATION**

The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the financial statements. The segment revenues and operating results for the three months ended March 31, 2021 and 2020 are shown in the income statements for the three months ended March 31, 2021 and 2020. The segment assets as of March 31, 2021, December 31, 2020, and March 31, 2020 are shown in the balance sheets as of March 31, 2021, December 31, 2020, and March 31, 2020.

**GREATEK ELECTRONICS INC.**

**MARKETABLE SECURITIES HELD**

**MARCH 31, 2021**

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

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares (Thousands)	Carrying Value	% of Ownership	Fair Value	
Greatek Electronics Inc.	<u>Fund</u>							
	Yuanta Taiwan High-yield Leading Company Fund A	-	Financial assets at fair value through profit or loss - current	7,000	\$ 103,530	-	\$ 103,530	Note 1
	<u>Bond</u>							
	P07 Taipower 1A	-	Financial assets at amortized cost - current	200	200,000	-	200,057	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost - current	50	50,000	-	50,245	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost - current	50	50,000	-	50,322	Note 2
	P06 Taipower 1A	-	Financial assets at amortized cost - noncurrent	300	300,000	-	301,989	Note 2
	P08 Taipower 3A	-	Financial assets at amortized cost - noncurrent	100	100,001	-	100,656	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost - noncurrent	50	50,000	-	50,322	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost - noncurrent	50	50,000	-	50,245	Note 2
	<u>Stock</u>							
	Powertech Technology Inc.	Parent entity	Financial assets at fair value through other comprehensive profit or loss - noncurrent	6,170	650,935	1	650,935	Note 3
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - noncurrent	268	-	3	-	Note 4
	Terawins Inc.	-	Financial assets at fair value through profit or loss - noncurrent	643	-	2	-	Note 4
Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - noncurrent	93	-	1	-	Note 4	

Note 1: The fair value was based on the net asset value of the fund as of as of March 31, 2021.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of March 31, 2021.

Note 3: The fair value of common shares was based on stock closing price as of March 31, 2021.

Note 4: The fair value was based on the carrying value as of as of March 31, 2021.

Note 5: As of March 31, 2021, the above marketable securities had not been pledged or mortgaged.

**GREATEK ELECTRONICS INC.**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Transaction Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Greatek Electronics Inc.	Building	2021.03.10	\$ 510,000	\$ 153,000	Jian Ming Contractor Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None

**GREATEK ELECTRONICS INC.**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of the corporate supervisor	Sale	\$ 280,681	7	Net 60 days from monthly closing dates	Note	-	\$ 283,816	8	-

Note : Sales transactions with related parties were made at the Corporation's usual list prices.

**GREATEK ELECTRONICS INC.**

**RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**MARCH 31, 2021**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of the corporate supervisor	\$ 283,816	4.27	\$ -	-	\$ 80,566	\$ -

**TABLE 5****GREATEK ELECTRONICS INC.****INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2021**

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<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Powertech Technology Inc.	244,064,379	42.91