Stock
Code:4979

LUXNET CORPORATION

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors of LuxNet Corporation:

Opinion

We have audited the financial statements of LuxNet Corporation ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

In our professional judgments, the key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

   Please refer to note 4(g) for accounting policy, note 5 for assumptions and estimation uncertainty, and note 6(c) for details on inventories.

Description of key audit matter:

The Company’s inventories are measured at the lower of cost and net realizable value. Since economic environment changes rapidly, new products and techniques may have an influence on market demands, which could result in the cost of inventories to be higher than the net realizable value. Therefore, evaluation of inventories is the key audit matter for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories and assessing whether existing inventory policies are applied; understanding the difference in allowance provided on inventory valuation between estimated amounts and real amounts; understanding the sales price which the management adopted, and sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

2. Impairment assessment of non-financial assets

   Please refer to note 4(l) for accounting policy, note 5 for assumptions and estimation uncertainty, and note 6(e) for details on non-financial assets.

   Description of key audit matter:

   The Company’s business is involved in a fast changing economic environment. Therefore, the assessment of impairment for non-financial assets is important. The assessment for impairment included identifying the Cash Generating Unit (CGU), deciding the model for evaluating, establishing significant assumption, and calculating the recoverable amount; all of which depend on the management’s subjective judgment. Therefore, impairment assessment on non-financial assets is the key audit matter for our audit.

   How the matter was addressed in our audit:

   Our principal audit procedures included: evaluating the CGU, and external and internal impairment indications identified by the management, and ensuring all assets which needed annual impairment test are covered in the assessment made by the management; acquiring the valuation report from external experts engaged by the management; and understanding whether any significant matters occurred after the reporting date that may have an impact on the impairment test.

3. Investments accounted for using the equity method

   Please refer to note 4(h) for accounting policy and note 6(d) for details on investments accounted for using the equity method.

Description of key audit matter:

The Company had owned the associate Toptrans (Suzhou) Corporation Limited through Toptrans Corporation Limited, a subsidiary of LuxNet Corporation. On May 6, 2020, the Board of Directors of Toptrans (Suzhou) Corporation Limited re-elected its directors, the Company did not obtain any number of directors. Hence, the Company lost its significant influence over Toptrans (Suzhou) Corporation Limited. The investment is deemed as repurchase after disposal, and is recognized as financial assets at fair value through other comprehensive income. This was a material transaction for the concerned year and was also an infrequent transaction. As the subsequent measurement of the financial assets had a material impact on the amount of investments accounted for using equity method and was so important as to influence financial statement users' understanding of the overall financial statements, losing material influence on the associate owned by its subsidiary and the subsequent measurement of the financial assets at fair value were therefore the important matters to be audited while we were auditing the financial report of LuxNet Corporation.

How the matter was addressed in our audit:

Our principal audit procedures included: inspecting related documents at the time of loss of significant influence; appointing internal expert to inspect the method of evaluating the fair value and assessing the reasonability of significant assumptions; assessing whether the gain or loss on disposal of Investment and gain or loss on fair value calculated by management is accurate as well as inspecting the adequacy of disclosures related to this transaction in the financial statements.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 audit resulting in this independent auditors' report are Mei-Pin Wu and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2021

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

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(English Translation of Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 292,319	13	544,505	24
1170	Notes and accounts receivable, net (notes 6(b) and (p))	144,072	7	172,040	7
130X	Inventories (note 6(c))	311,365	15	309,750	13
1410	Prepaid expenses	10,138	-	4,333	-
1470	Other current assets (note 7)	8,865	-	17,534	1
		766,759	35	1,048,162	45
	Non-current assets:				
1550	Investments accounted for using the equity method (note 6(d))	354,569	16	78,119	3
1600	Property, plant and equipment (notes 6(e) and 8)	1,021,021	47	1,179,633	51
1780	Intangible assets	513	-	1,279	-
1900	Other non-current assets (note 8)	27,629	2	27,942	1
		1,403,732	65	1,286,973	55
	Total assets	$ 2,170,491	100	2,335,135	100

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(g))	$ 235,352	11	130,000	6
2130	Current contract liabilities (note 6(p))	100	-	103	-
2170	Notes and accounts payable	110,297	5	184,923	8
2200	Accrued expenses and other payables	90,580	4	100,025	4
2321	Bonds payable, current portion (note 6(i))	12,259	1	292,197	13
2322	Long-term borrowings, current portion (notes 6(h) and 8)	-	-	320,000	14
2300	Other current liabilities (notes 6(f) and (i))	11,261	-	5,922	-
		459,849	21	1,033,170	45
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(h) and 8)	320,000	15	-	-
2600	Other non-current liabilities (note 6(k))	283	-	1,047	-
		320,283	15	1,047	-
	Total liabilities	780,132	36	1,034,217	45
	Equity attributable to owners of parent:				
3100	Ordinary shares (note 6(m))	1,201,243	55	1,202,263	51
3200	Capital surplus (notes 6(d), (i) and (m))	85,809	4	350,154	15
3350	Accumulated deficit (note 6(m))	(87,453)	(4)	(206,428)	(9)
3400	Other equity interest (note 6(n))	190,760	9	(45,071)	(2)
	Total equity	1,390,359	64	1,300,918	55
	Total liabilities and equity	$ 2,170,491	100	2,335,135	100

(See accompanying notes to the financial statements)

Chairman: Cheng Tun-Chien **Manager: NiTien-Ju** **Accounting Manager: Lin Hsiao-Chiao**

(English Translation of Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(p) and 7)**	$ 1,166,849	100	1,190,446	100
5000	**Operating costs (notes 6(c), (j), (k), (n) and 12)**	1,119,965	96	1,152,708	97
	Gross profit	46,884	4	37,738	3
	Operating expenses (notes 6(b), (j), (k), (n) and 12):				
6100	Selling expenses	15,908	1	17,983	2
6200	Administrative expenses	103,915	9	124,069	10
6300	Research and development expenses	95,665	8	121,700	10
6450	Expected credit gain	(23)	-	(1,466)	-
		215,465	18	262,286	22
	Net operating loss	(168,581)	(14)	(224,548)	(19)
	Non-operating income and expenses:				
7020	Other gains and losses, net (notes 6(f), (i) and (r))	26,388	2	6,369	1
7050	Finance costs (note 6(i))	(8,713)	(1)	(14,336)	(1)
7055	Expected credit gain (note 7)	3,654	-	4,942	-
7070	Share of gains or losses of subsidiaries accounted for using equity method (note 6(d))	122,117	11	19,324	2
7100	Interest revenue	81	-	559	-
7673	Impairment loss on property, plant and equipment (note 6(e))	(63,136)	(5)	-	-
		80,391	7	16,858	2
7900	**Loss before income tax**	(88,190)	(7)	(207,690)	(17)
	Less: income tax expenses (note 6(l))	-	-	-	-
	Loss	(88,190)	(7)	(207,690)	(17)
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains on remeasurements of defined benefit plans (note 6(k))	737	-	1,262	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	211,086	18	-	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		211,086	18	1,262	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operation's financial statements	5,569	-	(3,270)	-
8399	Less: income tax expense related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	5,569	-	(3,270)	-
8300	**Other comprehensive income (loss), net**	217,392	18	(2,008)	-
8500	**Comprehensive income**	**$ 129,202**	**11**	**(209,698)**	**(17)**
	Losses per share (note 6(o))				
9750	**Basic losses per share (NT dollars)**	**$ (0.75)**		**(2.02)**	

(See accompanying notes to the financial statements)

Chairman: Cheng Tun-Chien **Manager: NiTien-Ju** **Accounting Manager: Lin Hsiao-Chiao**

(English Translation of Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings	Total other equity interest			
	Ordinary shares	Capital surplus	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee compensation	Total equity
Balance at January 1, 2019	$ 1,028,973	805,912	(692,355)	(2,299)	(2,951)	(219)	1,137,061
Loss for the year ended December 31, 2019	-	-	(207,690)	-	-	-	(207,690)
Other comprehensive income for the year ended December 31, 2019	-	-	1,262	(3,270)	-	-	(2,008)
Total comprehensive income for the year ended December 31, 2019	-	-	(206,428)	(3,270)	-	-	(209,698)
Capital surplus used to offset accumulated deficits	-	(692,355)	692,355	-	-	-	-
Issuance of ordinary shares	147,000	152,733	-	-	-	-	299,733
Issuance of restricted stock	26,460	26,857	-	-	-	(53,317)	-
Amortization of restricted stock	-	-	-	-	-	11,840	11,840
Retirement of restricted stock	(170)	(5,315)	-	-	-	5,145	(340)
Changes in ownership interests of investments accounted for using the equity method	-	62,322	-	-	-	-	62,322
Balance at December 31, 2019	1,202,263	350,154	(206,428)	(5,569)	(2,951)	(36,551)	1,300,918
Loss for the year ended December 31, 2020	-	-	(88,190)	-	-	-	(88,190)
Other comprehensive income for the year ended December 31, 2020	-	-	737	5,569	211,086	-	217,392
Total comprehensive income for the year ended December 31, 2020	-	-	(87,453)	5,569	211,086	-	129,202
Capital surplus used to offset accumulated deficits	-	(206,428)	206,428	-	-	-	-
Issuance of restricted stock	3,540	5,097	-	-	-	(8,637)	-
Amortization of restricted stock	-	-	-	-	-	22,561	22,561
Retirement of restricted stock	(4,560)	(692)	-	-	-	5,252	-
Changes in ownership interests of investments accounted for using the equity method	-	(7,100)	-	-	-	-	(7,100)
Disposal of investments accounted for using the equity method	-	(55,222)	-	-	-	-	(55,222)
Balance at December 31, 2020	**$ 1,201,243**	**85,809**	**(87,453)**	**-**	**208,135**	**(17,375)**	**1,390,359**

(See accompanying notes to the financial statements)

Chairman: Cheng Tun-Chien **Manager: NiTien-Ju** **Accounting Manager: Lin Hsiao-Chiao**

(English Translation of Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Loss before tax	$ (88,190)	(207,690)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	168,604	189,435
Expected credit gain	(3,677)	(6,408)
Losses related to inventories	80,090	14,361
Net losses(gains) on financial assets and liabilities measured at fair value through profit or loss	570	(2,005)
Impairment loss on property, plant and equipment	63,136	-
Losses (gains) on disposal of property, plant and equipment	(11,212)	530
Interest expense	8,713	14,336
Interest revenue	(81)	(559)
Compensation cost of share-based payments	22,561	11,840
Investments accounted for using the equity method	(122,117)	(19,324)
Losses on redemption of bonds	7,995	-
Total adjustments to reconcile profit	214,582	202,206
Changes in operating assets and liabilities:		
Notes and accounts receivable	12,884	61,461
Inventories	(66,598)	5,901
Prepaid and other current assets	6,462	(8,084)
Total changes in operating assets	(47,252)	59,278
Notes and accounts payable	(74,626)	17,484
Contract liabilities	(3)	(49,476)
Accrued expenses and other payables	(5,286)	19,010
Other current liabilities	734	-
Other operating liabilities	(27)	(71)
Total changes in operating liabilities	(79,208)	(13,053)
Total changes in operating assets and liabilities	(126,460)	46,225
Total adjustments	88,122	248,431
Cash (outflow) inflow generated from operations	(68)	40,741
Interest received	81	559
Interest paid	(7,433)	(8,467)
Tax refund received	56	19,337
Net cash flows from (used in) operating activities	(7,364)	52,170
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(76,349)	(76,171)
Proceeds from disposal of property, plant and equipment	22,148	3,737
Increase in other non-current assets	(5,397)	(4,617)
Increase in prepayments for equipment	(800)	-
Net cash flows used in investing activities	(60,398)	(77,051)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	105,352	(70,000)
Redemption of bonds	(289,776)	(2,600)
Repayments of long-term borrowings	-	(19,089)
Proceeds from issuance of ordinary shares	-	299,733
Other	-	(340)
Net cash flows from (used in) financing activities	(184,424)	207,704
Net increase (decrease) in cash and cash equivalents	(252,186)	182,823
Cash and cash equivalents at beginning of period	544,505	361,682
Cash and cash equivalents at end of period	$ 292,319	544,505

(See accompanying notes to the financial statements)

Chairman: Cheng Tun-Chien **Manager: NiTien-Ju** **Accounting Manager: Lin Hsiao-Chiao**

(English Translation of Financial statements Originally Issued in Chinese)

LUXNET CORPORATION

Notes to the Parent Company Only Financial statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

LuxNet Corporation ("the Company") was incorporated on November 15, 2001, and registered under the Ministry of Economic Affairs, ROC. The address of the Company's registered office is No. 6, Hejiang Road, Zhongli, Taoyuan.

The major business activities of the Company and subsidiaries (together referred to as "the Company") were the manufacturing, processing and sale of electronic components and active components for optical communication and the retail sale of electronic materials. Please refer to note 14 for further information.

The Company's common shares were listed on the Taipei Exchange ("TPEx") on December 12, 2011.

(2) Approval date and procedures of the parent company only financial statements:

The parent company only financial statements was authorized for issue by the Board of Directors as of March 18, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent company only financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

LUXNET CORPORATION

Notes to the Parent Company Only Financial statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following new and amended standards, which have not yet to be endorsed by the FSC, have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only parent company only financial statements.

(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

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss (including derivative financial instruments) are measured at fair value;

2) Fair value through other comprehensive income are measured at fair value;

3) The net defined benefit liabilities (or assets) are measured at fair value of the plan assets, less the present value of the defined benefit obligation, as explained in (note 4(o)).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for the differences relating to an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into New Taiwan dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan dollars at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to be realized in the foreseeable future. Exchange differences arising thereon, form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statement in equity.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It expects to realize the asset or intends to sell or consume it in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, or there are other restrictions.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and will mature within a short period so that interest rate fluctuations have little effect on their values. Time deposits meet the aforementioned definition and are used for the purpose of meeting short-term commitments are included in cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and fair value through other comprehensive income (FVOCI) – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 4 months past due.

The Company considers a financial asset to be in default when the financial asset is more than 12 months past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 12 months past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

In the parent only company financial statements, a subsidiary is an entity that is controlled by the Company, and the investment is accounted using the equity method. Under the equity method, the net income and other comprehensive income in the parent company only financial statements shall be same as the net income and other comprehensive attributable to the Company in the Consolidated financial statements. The total equity in the parent company only financial statements shall be also same as the equity attributable to the Company in the Consolidated financial statements.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.

(Continued)

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings: 10~50 years

2) Machinery: 3 ~10 years

3) Leasehold improvements: 10 years

4) Other equipment: 3 ~ 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(Continued)

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how, and for what purpose, the asset is used throughout the period of use; or
- the relevant decisions about how, and for what purpose, the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how, and for what purpose, it will be used throughout the period of use.

(ii) As a leasee

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of factory facilities, vehicles and staff dormitories that have a short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Patents 3 years

2) Computer software 3~5 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each annual reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or Companies of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Company's main types of revenue are explained below:

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Government grants

The Company recognizes an unconditional government grant as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The grant-date of the Company is the record date of capital injection approved in the board meeting.

(Continued)

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and its probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

(r) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee restricted stock and convertible bonds.

(s) Operating segments

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose segment information in the parent company only its financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with " Regulations Governing the preparation of Financial Reports by Securities Issuers" requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying accounting policies that have significant effect on amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(c) for further description of the valuation of inventories.

(Continued)

(b) Impairment of property, plant and equipment

In the process of evaluating the potential impairment of tangible assets, the Company makes subjective judgments on the recoverable amount of cash generating unit based on the opinion of external experts. Any changes in these estimates caused by the changes in economic conditions or model for evaluating could result in significant impairment charges or reversal in future years. Please refer to note 6(e) for further description of the key assumptions used to determine the recoverable amount.

The accounting policies and disclosures of the Company include measuring the financial and nonfinancial assets and liabilities at fair value. The Company has established an internal control frame work with respect to the measurement of fair value, which includes organizing the Company's financial instrument valuation Company (the valuation Company) to review all material measurement by using the fair value (such as level 3 fair value) and to submit the report to the Chief Financial Officer (CFO). The valuation Company regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure the fair value, then the valuation Company shall assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: 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).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

please refer to note 6 (s) for assumptions used in measuring fair value.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 74	115
Demand deposits	292,245	544,390
Cash and cash equivalents in consolidated statements of cash flows	$ 292,319	544,505

Please refer to note 6(s) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ -	46
Accounts receivable	196,185	224,130
Less: allowance for impairment	(52,113)	(52,136)
	$ 144,072	172,040

(i) The Company applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivable. To measure the ECL, notes and accounts receivable have been companied based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis was as follows:

	December 31, 2020		
	Carrying amounts of notes and accounts receivable	Lifetime weighted-average ECL rate	Loss allowance provision of lifetime ECL
Current	$ 123,950	0.01%~3%	35
Overdue 1 to 120 days	20,159	0.01%~3%	2
Overdue 121 to 365 days	-	30.00%	-
More than 365 days past due	52,076	100.00%	52,076
	$ 196,185		52,113

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	December 31, 2019			
		Carrying amounts of notes and accounts receivable	Lifetime weighted-average ECL rate	Loss allowance provision of lifetime ECL
Current	$	154,208	0.01%~3%	36
Overdue 1 to 120 days		17,870	0.01%~3%	2
Overdue 121 to 365 days		-	30.00%	-
More than 365 days past due		52,098	100.00%	52,098
	$	224,176		52,136

(ii) The movements in the allowance for notes and accounts receivable were as follows :

		2020	2019
Balance on January 1, 2020 and 2019	$	52,136	53,602
Impairment losses reversed		(23)	(1,466)
Balance on December 31, 2020 and 2019	$	52,113	52,136

(iii) The Company did not provide any of the aforementioned financial assets as collateral.

(c) Inventories

		December 31, 2020	December 31, 2019
Raw materials	$	101,826	86,094
Work in process		51,633	80,073
Finished goods		157,906	143,583
	$	311,365	309,750

For the years ended December 31, 2020 and 2019, the Company recognized the following items as cost of goods sold:

	For the years ended December 31		
		2020	2019
Losses (gains) on inventory valuation and obsolete inventories	$	74,052	(110,490)
Loss on physical inventory		2	-
Losses on disposal of inventories		6,036	124,851
Gains on sale of scrap		(2,220)	(5,715)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity		133,944	163,237
	$	211,814	171,883

As of December 31, 2020 and 2019, the Company did not provide any of the aforementioned inventories as collateral.

(Continued)

(d) Investments accounted for using the equity method

Investments in associated companies accounted for using the equity method at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	$ 354,569	78,119

(i) For information relevant to investments in subsidiaries, please refer to the consolidated financial report for the year ended December 31, 2020.

(ii) Toptrans (Suzhou) Corporation Limited (“Toptrans Suzhou) is an investee company accounted for by Toptrans Corporation Limited (“Toptrans”), a subsidiary of the Company, using the equity method. Toptrans Suzhou had a cash capital increase of NT$409,891 thousand (US$13,000 thousand) in August 2019. However, Toptrans did not subscribe for additional shares due to its operational strategy considerations, which resulted in a decrease in its ownership interest in Toptrans Suzhou from 24.94% to 16.92%. Due to the increase of the Company’s proportionate interest in the net assets of the associate, the Company recorded the amount of $62,322 thousand as an adjustment to investments accounted for using the equity method, with the corresponding amount credited to capital surplus. In addition, the Company holds two of the six seats of Toptrans Suzhou’s board; therefore, the Company still retains significant influence over Toptrans Suzhou. The above investment was therefore accounted for using the equity method.

(iii) Toptrans Suzhou modified the ownership structure indicated in the articles of incorporation based on the resolution made at the board meeting on May 6, 2020. After the modification, the ratio of the shares of Toptrans Suzhou possessed by Toptrans was reduced from 16.92% to 15.21% and capital surplus was reduced by NT$7,100 thousand due to increase in net investment interests. Toptrans Suzhou also re-elected directors on the date of meeting. The Company had adjusted its investment management policy, so it did not appoint directors to participate in business management of Toptrans Suzhou. Based on evaluation, Toptrans had no material influence over Toptrans Suzhou, so investments in equity of Toptrans Suzhou evaluated at fair value on the date of meeting, NT$143,483 thousan Financial assets at fair value through other comprehensive income, and the measurement gain NT$80,360 thousand was recognized. Besides, the exchange differences on translation of foreign financial statements (NT$7,103) thousand and the capital surplus NT$55,222 thousand of Toptrans were transferred to other incomes. Gains on disposals of investments totaled NT$128,479 thousand and listed to its share of subsidiaries’ profits accounted for using the equity method. For details, please refer to Note 6 (e) to the consolidated financial statements for the year dated December 31, 2020.

(iv) As of December 31, 2020 and 2019, the Company did not provide any investment accounted for using the equity method as collateral.

(Continued)

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Notes to the Parent Company Only Financial statements

(e) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Land	Buildings and construction	Machinery and equipment	Office and other equipment	Equipment under acceptance	Total
Cost or deemed cost:						
Balance on January 1, 2020	$ 247,696	361,779	1,502,702	5,239	20,735	2,138,151
Additions	-	-	-	-	72,094	72,094
Reclassifications	-	-	50,889	-	(50,889)	-
Disposals	-	-	(96,482)	-	-	(96,482)
Balance on December 31, 2020	$ 247,696	361,779	1,457,109	5,239	41,940	2,113,763
Balance on January 1, 2019	$ 247,696	361,779	1,473,656	5,239	-	2,088,370
Additions	-	-	17,558	-	67,379	84,937
Reclassifications	-	-	54,260	-	(46,644)	7,616
Disposals	-	-	(42,772)	-	-	(42,772)
Balance on December 31, 2019	$ 247,696	361,779	1,502,702	5,239	20,735	2,138,151
Depreciation and impairment:						
Balance on January 1, 2020	$ -	87,353	867,898	3,267	-	958,518
Depreciation	-	12,021	148,687	620	-	161,328
Impairment loss	-	-	63,136	-	-	63,136
Disposals	-	-	(90,240)	-	-	(90,240)
Balance on December 31, 2020	$ -	99,374	989,481	3,887	-	1,092,742
Balance on January 1, 2019	$ -	73,813	740,901	2,647	-	817,361
Depreciation	-	13,540	165,502	620	-	179,662
Disposals	-	-	(38,505)	-	-	(38,505)
Balance on December 31, 2019	$ -	87,353	867,898	3,267	-	958,518
Carrying amounts:						
Balance on December 31, 2020	$ 247,696	262,405	467,628	1,352	41,940	1,021,021
Balance on December 31, 2019	$ 247,696	274,426	634,804	1,972	20,735	1,179,633
Balance on January 1, 2019	$ 247,696	287,966	732,755	2,592	-	1,271,009

(i) Because the Company adjusted its production lines, some of its equipment became idle. According to the external appraisal report, the recoverable amount of the equipment was based on fair value less costs of disposal, and the fair value was evaluated by cost approach. The Company recognized an impairment loss incurred from that equipment amounting to $63,136 thousand, which was accounted for as impairment loss on property, plant and equipment, for the year ended December 31, 2020.

(ii) As of December 31, 2020 and 2019, property, plant and equipment of the Company had been pledged as collateral for long-term borrowings and credit lines; please refer to note 8.

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(f) Financial liabilities reported at fair value through profit or loss

	December 31, 2020	December 31, 2019
Bonds (note 6(i))	$ -	89

For the years ended December 31, 2020 and 2019, the gains (losses) on valuation of financial assets and liabilities due to change in fair value amounted to $(570) thousand and $2,005 thousand, respectively, which were recognized in other gains and losses for the periods. Please refer to note 6(r).

(g) Short-term borrowings

The details were as follows:

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ 235,352	130,000
Unused credit lines	$ 203,902	349,980
Annual interest rates	0.99%~1.42%	1.35%~1.59%

(h) Long-term borrowings

The details were as follows:

	December 31, 2020			
	Currency	Annual interest rate	Maturity year	Amount
Secured bank loans	TWD	1.47%	2022	$ 320,000
Less: current portion				-
Total				$ 320,000
Unused credit lines				$ -

	December 31, 2019			
	Currency	Annual interest rate	Maturity year	Amount
Secured bank loans	TWD	1.25%~1.52%	2020	$ 320,000
Less: current portion				(320,000)
Total				$ -
Unused credit lines				$ -

(Continued)

(i) The Company signed a long-term loan contract with CTBC Bank in July 2018, with the credit line of $320,000 thousand. The contract period of the loan expires two years after its first application. The principal is to be repaid on the expiration date. The Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) financial statements: (1) a current ratio of not less than 110%; (2) stockholders' equity of not less than $1,200,000 thousand; and (3) a self-owned capital ratio of not less than 45%. If the Company violates the financial covenants and made no progress in the financial ratios within the period of improvement, the bank has the right to cease or decrease the credit line, or shorten the contract period, or the principal and interest are deemed to be due. According to the contract, the Company should transfer its business transaction cash flow to the CTBC Bank account every half-year, and the cash flow is at least $350,000 thousand. CTBC Bank will review the cash flow every half year.

On December 28, 2018, the Company obtained the notice from CTBC Bank for changing the terms of the credit line. CTBC Bank agreed to waive the financial restrictions on the stockholders' equity of not less than $1,200,000 thousand.

The Company re-signed a long-term loan contract with CTBC Bank on July 2, 2019, to extend the original due date of credit line to June 30, 2021, the revised restrictions of financial ratios were as follows: (1) a current ratio of not less than 110%; (2) stockholders' equity of not less than $1,000,000 thousand; and (3) a self-owned capital ratio of not less than 45%.

In January 2020, the Company repaid, in advance, its long-term loans due in December 2020. In addition, in February and March of 2020, the Company used the revolving credit line of $320,000 thousand in accordance with the above loan condition.

On August 6, 2020, the Company obtained the notice from CTBC Bank for changing the terms of the credit line, the revised restrictions of financial ratios were as follows: (1) a current ratio of not less than 110%; (2) stockholders' equity of not less than $1,100,000 thousand; and (3) a self-owned capital ratio of not less than 50%.

According to the contract, the Company should transfer its business transaction cash flow to the CTBC Bank account every half-year, and the cash flow is at least $250,000 thousand. CTBC Bank will review the cash flow quarterly.

(ii) Please refer to note 8 for further information on assets pledged as collateral.

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Notes to the Parent Company Only Financial statements

(i) Convertible bonds payable

	December 31, 2020	December 31, 2019
Aggregate principal amount	$ 1,100,000	1,100,000
Accumulated redeemed amount	(1,086,900)	(800,000)
Accumulated converted amount	(800)	(800)
Unamortized discount	(41)	(7,003)
Ending balance of bonds payable	12,259	292,197
Less: Bonds payable – current	(12,259)	(292,197)
Ending balance of bonds payable – non-current	$ -	-
Embedded derivative component – the value of redemption at the option of the Company/bondholders (recorded as other current assets and liabilities)	$ -	(89)
Equity component (recorded as capital surplus – stock option)	$ 581	14,145

	2020	2019
Embedded derivative component – revaluation gain (loss) on redemption at the option of the Company/bond holders (recorded as other gains and losses)	$ (570)	2,005
Interest expense (recorded as finance cost)	$ 1,183	5,869

The first domestic unsecured convertible bonds issued by the Company were matured on December 22, 2018. The residual bonds at par value $2,600 thousand were redeemed to the holders at par value in January 2019.

On March 17, 2020, as the holders of the second domestic unsecured convertible bonds issued by the Company exercised the redemption rights, the Company redeemed the bonds at a par value of $286,900 thousand, with an interest amounting to $2,876 thousand.

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The offering information on the unsecured convertible bonds was as follows:

	1st domestic unsecured convertible bonds	**2nd domestic unsecured convertible bonds**
Offering amount	NT$800,000 thousand	NT$300,000 thousand
Issue date	December 22, 2015	March 12, 2018
Issuance price	At par value	At par value
Face interest rate	0%	0%
Issue period	December 22, 2015, to December 22, 2018	March 12, 2018, to March 12, 2021
Redemption at the option of the Company	The Company may redeem the bonds within 5 trading days after the bonds' recovery reference date with cash at a 1.5% yield rate at any time from January 22, 2016, to November 12, 2018, if the closing price of the common shares on the TPEx on each trading day during a period of 30 consecutive trading days exceeds 30% of the conversion price or if the amount of unconvertible bonds is less than 10% of the offering amount.	The Company may redeem the bonds within 5 trading days after the bonds' recovery reference date with cash at par value at any time from June 12, 2018, to February 2, 2021, if the closing price of the common shares on the TPEx on each trading day during a period of 30 consecutive trading days exceeds 30% of the conversion price or if the amount of unconvertible bonds is less than 10% of the offering amount.
Redemption at the option of the Holder	Each Holder has the right to require the Company to redeem the Holder's bonds on December 22, 2017, at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum. (note 2)	Each Holder has the right to require the Company to redeem the Holder's bonds on March 12, 2020, at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum. (note 2)
Conversion period	Each Holder of the bonds has the right at any time during the period from January 22, 2016, to the maturity date of the bond, to convert their bonds.	Each Holder of the bonds has the right at any time during the period from June 12, 2018, to the maturity date of the bond, to convert their bonds.
Conversion price on December 31, 2020 (note 1)	-	NT$29.50

Note 1: The conversion price will be subject to adjustment in accordance with the conversion formula when the Company increases its capital or upon the occurrence of certain events involving the convertible bonds payable.

Note 2: Due to the conditions listed above, the Company reclassified its long-term bonds to current portion. The bond holders have the optional rights to require the Company to redeem the bonds.

(Continued)

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Notes to the Parent Company Only Financial statements

(j) Lease liabilities

The Company leases vehicles, employees' dormitories and warehouses. The leases typically run for a period of one year. These leases are short-term or leases of low-value items. The Company has elected not to recognize its right-of-use assets and lease liabilities for these leases.

The amounts recognized in profit or loss were as follows:

	2020	2019
Expenses relating to short-term leases and leases of low-value items	$ 2,159	2,922

The amounts recognized in the statement of cash flows for the Company were as follows:

	2020	2019
Rental paid in operating activities	$ 2,159	2,922

(k) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets of the Company were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 4,358	4,920
Fair value of plan assets	4,075	3,873
Net defined benefit liability	$ 283	1,047

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive payments based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $4,075 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

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Notes to the Parent Company Only Financial statements

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2020 and 2019, were as follows:

		2020	2019
Defined benefit obligation at January 1	$	4,920	9,322
Benefits paid by the plan		(27)	(1,773)
Current service costs and interest		53	119
Past service credit and gain or loss on settlement		-	(1,643)
Remeasurement of net defined liability		(588)	(1,105)
Defined benefit obligation at December 31	$	4,358	4,920

3) Movements in the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company for the years ended December 31, 2020 and 2019, were as follows:

		2020	2019
Fair value of plan assets at January 1	$	3,873	5,104
Contributions paid by the employer		12	320
Interest income		41	65
Remeasurement of net defined liability		149	157
Benefits paid		-	(1,773)
Fair value of plan assets at December 31	$	4,075	3,873

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2020 and 2019, were as follows:

		2020	2019
Net interest of net liabilities for defined benefit	$	12	54
Past service credit and gain or loss on settlement		-	(1,643)
Administrative expenses	$	12	(1,589)

5) Remeasurement of the net defined benefit asset (liabilities) recognized in other comprehensive income

As of December 31, 2020 and 2019, the Company's remeasurement of the net defined benefit asset (liabilities) recognized in other comprehensive income were as follows:

		2020	2019
Accumulated amount at January 1	$	2,541	1,279
Recognized during the period		737	1,262
Accumulated amount at December 31	$	3,278	2,541

(Continued)

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	December 31, 2020	December 31, 2019
Discount rate	0.45%	1.25%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date was $5 thousand.

The weighted-average lifetime of the defined benefit plans is 20 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations as of December 31, 2020 and 2019 would have been as follows:

	Influence of defined benefit obligations	
December 31, 2020:	**Increased 0.25%**	**Decreased 0.25%**
Discount rate	(119)	123
Future salary increase rate	119	(115)

	Influence of defined benefit obligations	
December 31, 2019:	**Increased 0.25%**	**Decreased 0.25%**
Discount rate	(163)	167
Future salary increase rate	166	(160)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2020 and 2019.

(Continued)

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Notes to the Parent Company Only Financial statements

(ii) Defined contribution plans

The Company allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounted to $16,600 thousand and $16,373 thousand for the years ended December 31, 2020 and 2019, respectively.

(l) Income taxes

(i) For the years ended December 31, 2020 and 2019, there were no current and deferred tax expenses.

(ii) For the years ended December 31, 2020 and 2019, there were no income tax recognized in equity.

(iii) For the years ended December 31, 2020 and 2019, there were no income tax recognized in other comprehensive income.

(iv) Reconciliation of income tax and profit (loss) before tax for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Loss excluding income tax	$ (88,190)	(207,690)
Income tax using the Company’s domestic tax rate	(17,638)	(41,538)
Non-deductible expenses	(5,714)	(216)
Change in unrecognized temporary differences	26,077	38,189
Adjustment for prior year’s tax expense	(2,725)	3,565
	$ -	**-**

(v) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Company’s unrecognized deferred tax assets were deductible temporary differences, listed as follows:

	December 31, 2020	December 31, 2019
Tax losses	$ 272,249	243,716
Deductible temporary differences	88,493	90,949
	$ 360,742	**334,665**

(Continued)

After evaluating the amount of its future income tax, the Company deemed its deductible items may not be realized. Therefore, they were not recognized as deferred tax assets.

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2020, the expiry date of the tax losses not recognized as deferred tax assets by the Company is as following:

Year of loss	Expiry date		Unused tax losses	Unused tax losses carry forward
2016 (examined)	2026	$	1,373	275
2017 (examined)	2027		487,107	97,421
2018 (examined)	2028		433,701	86,740
2019 (filed)	2029		310,305	62,061
2020 (estimated)	2030		128,759	25,752
		$	**1,361,245**	**272,249**

2) Recognized deferred tax assets and liabilities

The Company did not recognize any deferred tax assets or liabilities for the years ended December 31, 2020 and 2019.

(i) The Company's income tax returns have been examined by the tax authority through the years up to 2018.

(m) Capital and other equity

As of December 31, 2020 and 2019, the Company's authorized common stock both amounted to $1,500,000 thousand. Par value of each share is $10 (dollars). The number of shares includes employee stock options for 8,000 thousand shares. The issued amounts were $1,201,243 thousand and $1,202,263 thousand, respectively.

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Reconciliation of shares outstanding for the years ended December 31, 2020 and 2019 was as follows:

	Ordinary shares (in thousands of shares) For the years ended December 31 2020	2019
Balance on January 1	120,227	102,898
Issuance of ordinary shares	-	14,700
Issuance of restricted stock (note 6(n))	354	2,646
Retirement of restricted stock (note 6(n))	(456)	(17)
Balance on December 31	**120,125**	**120,227**

(i) Common stock

Based on the resolution approved in the board meeting held on October 2, 2019, for the issuance of 14,700 thousand ordinary shares amounting to $299,733 thousand at $20.39 per share, with par value of $10 per share, to repay the Company's borrowings, with December 26, 2019 set as the date of capital increase. The relevant statutory registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

		December 31, 2020	December 31, 2019
Additional paid-in capital	$	16,757	215,675
Employee stock options		1,456	1,456
Conversion options of convertible bonds		581	14,145
Restricted employee stock options		18,795	21,900
Changes in ownership interests of investments accounted for using the equity method		-	62,322
Other		48,220	34,656
	$	**85,809**	**350,154**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

(Continued)

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Notes to the Parent Company Only Financial statements

(iii) Retained earnings

According to the articles of the Company, 10 percent of its annual net income after settling all outstanding tax payables and accumulated deficit, if any, is to be set aside as legal reserve, until the accumulated legal capital reserve has equaled the total capital of the Company. Also, a special reserve should be retained or reversed under related regulations and the Company's operating demands. The remainder, if any, shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals according to the resolution adopted at the stockholders' meeting.

The Company is at its growth stage and it considers its future cash demand and long-term financial plans. Dividends distributed each year shall range from 10 to 70 percent of undistributed earnings. To satisfy stockholders' demand for cash, when allocating the earnings for each year, the cash dividend shall not be less than 10 percent of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

Based on the resolution approved in the stockholders' meeting held on June 16, 2020, the Company would not distribute earnings because of the loss for the year ended December 31, 2019.

Based on the resolution approved in the stockholders' meeting held on June 16, 2020, the Company offset accumulated deficits by capital surplus of $206,428 thousand.

Based on the resolution approved in the stockholders' meeting held on June 14, 2019, the Company would not distribute earnings because of the loss for the year ended December 31, 2018.

Based on the resolution approved in the stockholders' meeting held on June 14, 2019, the Company offset accumulated deficits by capital surplus of $692,355 thousand.

(Continued)

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(n) Share-based payment

(i) Based on the resolution approved in the Board of Directors' meeting held on May 5, 2020, the Company resolved to issue 354 thousand new shares of restricted stock. The actual numbers of shares issued were same as those approved during the board meeting.

(ii) Based on the resolution approved in the stockholders' meeting held on June 14, 2019, the Company resolved to issue 3,000 thousand new shares of restricted stock. Only employees meeting specific conditions were granted such restricted stock. The Company has received the approval from the Securities and Futures Bureau.

(iii) Based on the resolution approved in the Board of Directors' meeting held on August 1, 2019, the Company resolved to issue 2,646 thousand new shares of restricted stock. The actual numbers of shares issued were same as those approved during the board meeting.

(iv) As of December 31, 2020, the outstanding restricted stock of the Company was as follows:

	Plan 5-2	**Plan 5-1**
Grant date	May 26, 2020	August 2, 2019
Fair value on grant date (per share)	24.40	20.15
Exercise price	-	-
Granted units (thousand shares)	354	2,646
Vesting period	1~3 years (note)	1~3 years (note)

Note :If the employees continue to provide service to the Company, one third of the restricted stock shall be vested in year 1 after the grant date, one third of the restricted stock shall be vested in year 2 after the grant date, and the remaining one third shall be vested in year 3 after the grant date.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period except for inheritance. Holders of restricted stock are entitled to the same rights as the Company's existing common stockholders. The Company will purchase and write off all shares of an employee who fails to comply with the vesting conditions at the lower of issuance price or TPEx closing price, and the dividend distributed should be returned to the Company also.

The related information on restricted stock of the Company was as follows:

	2020	**2019**
Outstanding at January 1	2,400	94
Granted during the year	354	2,646
Vested during the year	(740)	(77)
Expired during the year	(298)	(263)
Outstanding at December 31	**1,716**	**2,400**

Compensation cost attributable to share-based payment for the years ended December 31, 2020 and 2019 was $22,561 thousand and $11,840 thousand, respectively.

(v) Based on the resolution approved in the Board of Directors' meeting held on March 19, 2019, the number of shares was reduced by 17 thousand shares due to the retirement of restricted stock, with March 22, 2019 as the date of capital reduction. The relevant statutory registration procedures were completed.

(vi) Based on the resolution approved in the Board of Directors' meeting held on January 10, 2020, the number of shares was reduced by 246 thousand shares due to the retirement of restricted stock, with January 10, 2020 as the date of capital reduction. The relevant statutory registration procedures were completed.

(vii) Based on the resolution approved in the Board of Directors' meeting held on May 5, 2020, the number of shares was reduced by 73 thousand shares due to the retirement of restricted stock, with May 25, 2020 as the date of capital reduction. The relevant statutory registration procedures were completed.

(viii) Based on the resolution approved in the Board of Directors' meeting held on August 6, 2020, the number of shares was reduced by 137 thousand shares due to the retirement of restricted stock, with August 10, 2020 as the date of capital reduction. The relevant statutory registration procedures were completed.

(ix) Based on the resolution approved in the Board of Directors' meeting held on January 21, 2021, the number of shares was reduced by 88 thousand shares due to the retirement of restricted stock, with January 22, 2021 as the date of capital reduction. The relevant statutory registration procedures were completed.

(o) Losses per share

The calculation of basic loss per share for the years ended December 31, 2020 and 2019 was based on the net loss and the weighted-average number of common shares outstanding, calculated as follows:

	2020	2019
Loss attributable to common stockholders	$ (88,190)	(207,690)

Weighted-average number of common shares (thousand shares)	2020	2019
Ordinary shares at January 1	117,581	102,802
Effect of restricted stock	308	46
Ordinary shares at December 31	117,889	102,848

Since the potential common shares had no dilutive effect, the Company only disclosed the calculation on basic loss per share for the years ended December 31, 2020 and 2019.

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(p) Revenue from contracts with customers

(i) Disaggregation of revenue

		2020	2019
Primary geographical markets			
Taiwan	$	140,118	60,162
China		244,435	418,482
America		776,741	705,047
Other		5,555	6,755
	$	1,166,849	1,190,446
Major products			
Active components for optical communication and modules	$	987,264	1,016,350
Chips		100,865	82,757
Other		78,720	91,339
	$	1,166,849	1,190,446

(ii) Contract balances

		December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable	$	196,185	224,176	285,637
Less: allowance for impairment		(52,113)	(52,136)	(53,602)
	$	144,072	172,040	232,035
Contract liabilities	$	100	103	49,579

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

The contract liabilities primarily relate to the advance consideration received from customers, for the sales contracts whose revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2020 and 2019, that were included in the contract liability balance at the beginning of the years were $103 thousand and $49,576 thousand, respectively.

(q) Employee compensation and directors’ and supervisors’ remuneration

According to the articles of the Company, once the Company has annual profit, it should appropriate 5%~15% of the profit to its employees and 5% or less to its directors and supervisors as remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via shares or cash includes the employees of the Company’s subsidiaries or affiliated companies under certain requirements.

LUXNET CORPORATION

Notes to the Parent Company Only Financial statements

The Company did not estimate any remuneration to employees and directors and for the years ended December 31, 2020 and 2019. If there are any subsequent adjustments to the actual remuneration amounts, the adjustments will be regarded as changes in accounting estimates and will be reflected in profit or loss in the next year. Related information would be available at the Market Observation Post System website.

(r) Non-operating income and expenses

Other gains and losses were as follows:

		2020	2019
Foreign currency exchange gains (losses)	$	(7,313)	4,567
Gains (losses) on financial liabilities measured at fair value through profit or loss		(570)	2,005
Gains (losses) on disposal of property, plant and equipment		11,212	(530)
Loss on redemption of bonds		(7,995)	-
Government grants		30,325	-
Other		729	327
	$	26,388	6,369

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Sales to individual customers constituting over 10% of total revenue for the years ended December 31, 2020 and 2019, totaled 60% and 69%, respectively. As of December 31, 2020 and 2019, 49% and 43%, respectively, of the ending balance of notes and accounts receivable were accounted for by those customers. The Company periodically evaluates these customers' financial position and the possibility of recovery of related accounts receivable to lower credit risk.

3) Credit risk of accounts receivable

For details on credit risk exposure of notes and accounts receivable, please refer to note 6(b).

LUXNET CORPORATION

Notes to the Parent Company Only Financial statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including interest but excluding the effect of any netting agreement:

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	$ 235,352	236,001	236,001	-	-
Convertible bonds	12,259	12,300	12,300	-	-
Notes and accounts payable	110,297	110,297	110,297	-	-
Accrued expenses and other payables	85,681	85,681	85,681	-	-
Long-term borrowings	320,000	325,516	4,704	320,812	-
	$ 763,589	**769,795**	**448,983**	**320,812**	**-**
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	$ 130,000	130,228	130,228	-	-
Convertible bonds	292,197	299,200	299,200	-	-
Notes and accounts payable	184,923	184,923	184,923	-	-
Accrued expenses and other payables	97,081	97,081	97,081	-	-
Long-term borrowings	320,000	324,648	324,648	-	-
	$ 1,024,201	**1,036,080**	**1,036,080**	**-**	**-**

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD:NTD	$ 5,657	28.090	158,905	7,369	29.980	220,923
Financial liabilities						
Monetary items						
USD:NTD	3,135	28.090	88,062	4,729	29.980	141,775

(Continued)

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, short-term and long-term borrowings, accounts payable, and accrued expenses and other payables that are denominated in foreign currency.

A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2020 and 2019, would have increased or decreased the net loss before tax by $3,542 thousand and $3,957 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain or loss on monetary items

The information on the amount of the Company's foreign exchange gain or loss on monetary items (including realized and unrealized) translated to the functional currency, and on the exchange rate translated to the functional currency of the parent company (the presentation currency), NTD, was as follows:

	2020		2019	
Functional currency	**Foreign exchange gain or loss**	**Average exchange rate**	**Foreign exchange gain or loss**	**Average exchange rate**
NTD	$ (7,313)	1	4,567	1

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note on liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of non-derivative financial instruments on the reporting date. For variable-rate liabilities, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. An increase or decrease of 25 basis points is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had increased or decreased by 25 basis points, the net loss before tax would have increased or decreased by the amount of $658 thousand and $236 thousand for the years ended December 31, 2020 and 2019 respectively, which would have mainly resulted from bank savings and borrowings with variable interest rates.

Financial instruments with fixed interest rates held or issued by the Company are valued at amortized cost. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

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Notes to the Parent Company Only Financial statements

(v) Fair value

1) Kinds of financial instruments and fair value

The fair value of financial liabilities at fair value through other comprehensive income are measured on a basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

	December 31, 2020				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 292,319				
Notes and accounts receivable	144,072				
Refundable deposits	21,860				
Total	$ 458,251				
Financial liabilities at amortized cost					
Long-term and short-term borrowings	$ 555,352				
Notes and accounts payable	110,297				
Convertible bonds	12,259	-	12,26	-	12,26
Other financial liabilities	85,681				
Total	$ 763,589				

	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 544,505				
Notes and accounts receivable	172,040				
Refundable deposits	21,985				
Total	$ 738,530				
Financial liabilities at amortized cost					
Long-term and short-term borrowings	$ 450,000				
Notes and accounts payable	184,923				
Convertible bonds	292,197	-	292,083	-	292,083
Other financial liabilities	97,081				
Total	$ 1,024,201				
Financial liabilities at fair value through profit or loss–current	$ 89	-	-	89	89

2) Valuation techniques to measure fair value of financial instruments not measured at fair value

Financial instruments of the Company not measured at fair value are financial assets and liabilities valued at amortized cost. Measurement of fair value of these financial instruments is based on recent transaction prices. When market price are unavailable, valuation is based on discounted cash flow.

3) Fair value valuation technique of financial instruments measured at fair value

Valuation of derivative financial instruments of the Company is based on a valuation model widely used by market participants, such as the discounted cash flow method and the Black-Scholes Option Pricing Model.

4) Changes in Level 3

	Financial assets (liabilities) at fair value through profit or loss
Balance on January 1, 2020	$ (89)
Recognized in profit or loss	(570)
Disposal / pay-off	659
Balance on December 31, 2020	**$ -**
Balance on January 1, 2019	$ (2,094)
Recognized in profit or loss	2,005
Balance on December 31, 2019	**$ (89)**

The aforementioned total gains and losses were recognized in "other gains and losses". The details of the liabilities which the Company still held as of December 31, 2020 and 2019, were as follows:

	For the years ended December 31	
	2020	**2019**
Total gains and losses (recognized in "other gains and losses")	**$ -**	**2,005**

5) Fair value measurements using significant unobservable inputs (Level 3)

The fair value measurements of the Company which are categorized into Level 3 are redemption rights of embedded convertible bonds which use the Binomial Tree Model to decide the fair value. After evaluation, these derivative financial instruments have no significant influence on the Company's financial report. Therefore, the quantify information and sensitivity analysis related to fair value measurements using significant unobservable inputs are not disclosed.

6) In the years ended December 31, 2020 and 2019, there were no transfers between levels.

(t) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The Board of Directors is responsible for the establishment and oversight of risk management and for developing and controlling the risk management policy of the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee monitors the management to ensure compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee and the Board of Directors are assisted in their oversight role by internal auditor. Internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company's cash and cash equivalents; notes, accounts, and other receivables; and derivative instruments.

1) Cash and cash equivalents

The Company deposited cash in reputable and creditworthy financial institutions. The Company believes that the risk that these financial institutions may default is very low and anticipates no significant credit loss. The Company also deals with numerous financial institutions to disperse the risk, thus the Company will not suffer any significant loss if the abovementioned institutions default.

2) Notes, accounts and other receivables

The Company has established a credit policy. The Company uses external credit rating systems and previous transaction records to assess the credit quality and set the credit limits for the customer. The Company constantly supervises credit exposures and credit limits of transaction partners, and controls credit exposures through setting the credit limits.

3) Derivative instruments

The Company entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Company believes that the risk that these financial institutions may default on these contracts is very low and anticipates no significant credit loss.

4) Guarantees

The Company has established a credit policy under that the Company can only provide guarantees to 100%-held subsidiaries. As of December 31, 2020 and 2019, the Company did not provide any guarantee.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused bank facilities of $203,902 thousand and $349,980 thousand as of December 31, 2020 and 2019, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities. These transactions are denominated in USD.

2) Interest rate risk

The Company's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Company believes that cash flow risk arising from interest rate fluctuation is insignificant.

LUXNET CORPORATION

Notes to the Parent Company Only Financial statements

(u) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings.

The Company's debt-to-equity ratio as of December 31, 2020 and 2019, were 35% and 38%, respectively.

(v) Supplementary information of cash flow

(i) For the years ended December 31, 2020 and 2019, the increase in property, plant and equipment from the transfer of prepayment for equipment were $0 thousand and $7,616 thousand, respectively. Please refer to note 6(e).

(ii) The Company's cash outflow from acquisition of property, plant and equipment amounted to $76,349 thousand and $76,171 thousand, wherein cash payment for payables on equipment and the increase of payables on equipment amounted to $4,255 thousand and $8,766 thousand for the years ended December 31, 2020 and 2019, respectively. Please refer to note 6(e).

(iii) For retirement of restricted stock, please refer to note 6(n).

(w) Change in liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Short-term borrowings	$ 130,000	105,352	-	235,352
Long-term borrowings	320,000	-	-	320,000
Bonds payables	292,197	(289,776)	9,838	12,259
Total liabilities from financing activities	**$ 742,197**	**(184,424)**	**9,838**	**567,611**

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Short-term borrowings	$ 200,000	(70,000)	-	130,000
Long-term borrowings	351,395	(19,089)	(12,306)	320,000
Bonds payables	288,928	(2,600)	5,869	292,197
Total liabilities from financing activities	**$ 840,323**	**(91,689)**	**(6,437)**	**742,197**

(7) Related-party transactions:

(a) Name and relationship with related parties

The followings are entities that have had transactions with the company during the periods covered in financial statements and its subsidiaries:

Name of related party	Relationship with the Company
Toplight Corporation (Toplight)	The subsidiary
Toptrans Corporation Limited (Toptrans)	The subsidiary
Toptrans (Suzhou) Corporation Limited	Associates (Note)

Note: The Company lost its significant influence over Toptrans Suzhou on May 6, 2020. Therefore, its transactions related to Toptrans Suzhou need not be disclosed thereafter.

(b) Significant transactions with related parties

(i) Provide service to related parties

For the year ended December 31, 2019, revenue from providing services to associate, Toptrans Suzhou, amounted of operating revenues to $5,883 thousand. As of December 31, 2019, the accounts receivable arising from aforementioned transactions were settled. The Company did not provid any service to related parties for the year ended December 31, 2020.

(ii) Loans to related parties

The loans to Toptran Suzhou was derived from the accounts receivable of selling goods to Toptran Suzhou. However, Toptran Suzhou failed to settle its debt due the difficulties its business is facing, resulting in the Company to reclassify its accounts receivable to loans.

The loans to associate Toptrans Suzhou were as follows:

	December 31, 2020	December 31, 2019
Other receivables－loans	$ -	11,808
Other receivables－interest	-	28
	-	11,836
Less: allowance impairment	-	(11,836)
	$ -	-

For the years ended December 31, 2020 and 2019, the Company recognized expected credit gains of $3,654 thousand and $4,942 thousand, respectively, as other gains and losses due to collections from the loans.

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Notes to the Parent Company Only Financial statements

(c) Key management personnel compensation

		2020	2019
Short-term employee benefits	$	22,712	26,410
Post-employment benefits		704	789
Termination benefits		-	-
Other long-term benefits		-	-
Share-based payments		5,763	2,347
	$	**29,179**	**29,546**

For the information of share-based payment, please refer to Note 6(p).

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Notes to the Parent Company Only Financial statements

(8) Pledged assets:

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

		Book value of pledged assets	
Pledged assets	**Pledged to secure**	**December 31, 2020**	**December 31, 2019**
Fixed assets – land	Long-term borrowings and credit line collateral	$ 247,696	247,696
Fixed assets – buildings and construction	Long-term borrowings and credit line collateral	262,405	274,426
Refundable deposits	Collateral for court proceedings	21,740	21,740
		$ 531,841	543,862

(9) Commitments and contingencies:

(a) The Company's unused letters of credit for purchasing machinery and equipment were as follow:

	December 31, 2020	December 31, 2019
Unused letters of credit for purchasing machinery and equipment	$ 3,837	-

(b) The amounts of guarantee notes issued as collateral for bank loans were as follows:

		December 31, 2020	December 31, 2019
Guarantee notes issued	USD	$ 5,50	5,50
Guarantee notes issued	NTD	$ 990,00	990,00

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

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Notes to the Parent Company Only Financial statements

(12) Other:

The following is a summary statement of current-period employee benefit, depreciation, and amortization expenses by function:

By function / By item	For the years ended December 31					
	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	225,078	114,440	339,518	194,554	121,641	316,195
Labor and health insurance	22,470	9,337	31,807	22,049	9,550	31,599
Pension	11,213	5,399	16,612	10,841	3,943	14,784
Remuneration of directors	-	2,466	2,466	-	2,648	2,648
Others	14,340	4,908	19,248	13,394	6,528	19,922
Depreciation	139,817	21,511	161,328	155,119	24,543	179,662
Amortization	3,376	3,900	7,276	5,483	4,290	9,773

As of December 31, 2021 and 2019, the additional information for employee numbers and employee benefits were as follows:

	109	108
Number of employees	634	598
Non-employee directors	7	7
Average employee benefits	$ 649	647
Average employee salaries	$ 541	535
Average adjustment rate of employee salaries	1.12%	
Supervisor's remuneration	$ -	-

The information of the Company's policy of wages and remunerations (to directors, managers and employees) is stated as follows:

Directors of the Company are entitled to receive travel allowances, salaries and other regular remunerations no matter whether the Company has profit or loss. The board of directors is authorized to determine the amount based on the level of the director's participation in business operation and the value of the director's contribution after taking into account the remuneration levels in domestic and foreign industries. Salaries and remunerations received by independent directors are determined in the regulations for management of directors' remuneration and remuneration levels in the industry are reviewed by the remuneration committee periodically.

Remunerations to managers are reviewed by the remuneration committee and then resolved by the board of directors based on the duties, contribution and performance of each manager and taking the future risks of the Company into account.

An employee's salary includes a fixed salary and changeable rewards. The fixed salary is the base salary of the employee while the changeable rewards depend on business operation and profitability of the Company.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2020:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
0	The Company	Toptrans Suzhou	Other receiable	11,808	18,156	8,155	2%	Required loans to other parties	-	Operating capital	8,155	None	-	(Note 1)	(Note 1)

Note 1: The amounts loaned to a company from the Company or subsidiaries shall not exceed 10% of the entity's net worth, $139,036 thousand, in the latest financial statements. The total amounts loaned to all companies shall not exceed 40% of the Company's net worth, $556,144 thousand.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	December 31, 2020 Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Note
The Company	BANDWIDTH10, INC.	-	Financial assets measured at FVOCI– Non-current	220	-	4.43%	-	
Toptrons Corporation Limited	Toptrans Suzhou	-	〃	-	354,569	9.90%	354,5(	

(iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of $300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with an amount exceeding the lower of $300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with an amount exceeding the lower of $300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $300 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: Please refer to note 6(f).

(Continued)

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Notes to the Parent Company Only Financial statements

(b) Information on investment (excluding information on investees in mainland China)

The following is the information on investees for the year ended December 31, 2020:

Name of investor	Name of investee	Location	Main and Businesses products	Original investment amount: December 31, 2020	Original investment amount: December 31, 2019	Ending balance: Shares (thousands)	Ending balance: Percentage of ownership (%)	Ending balance: Carrying value	Investee recognize as of December 31, 2020: Net income (losses)	Investee recognize as of December 31, 2020: Investment income (losses)	Note
The Company	Toplight Corporation	Seychelles	Holding company	122,980	122,980	4,000	100%	354,56	122,1	122,11	(Note)
Toplight Corporation	Toptrans Corporation Limited	Hong Kong	Holding company	122,980	122,980	4,000	100%	354,56	122,1	122,11	(Note)

(c) Information on investment in mainland China: None.

(d) Major shareholders:

Shareholder's Name / Shareholding	Shares	Percentage
TriKnight Capital Corporation	18,558,990	15.44%

(14) Segment information:

Please refer to the consolidated financial report for the year ended December 31,2020.

(Continued)

LUXNET CORPORATION

Statement of cash and cash equivalents

December 31,2020

(Expressed in thousands of New Taiwan Dollars ;
in dollars of Foreign Currency)

Item	Description	Amount
Cash on hand		$ 7
Demand deposits	TWD	269,13
	Foreign currency－US$649,000 / Exchange rate 28.090	18,22
	Foreign currency－CNY1,131,000 / Exchange rate 4.317	4,88
Total		**$ 292,31**

Statement of accounts receivable

Item	Description	Amount
Accounts receivable：		
Client LC01082	Revenue from non-related parties	$ 95,848
Client LC20176	〃	47,399
Client LC01055	〃	11,963
Client LC20205	〃	11,244
Other (Each amount is less than 5％ of accounts receivable)	〃	29,731
		196,185
Less: loss allowance		(52,113)
Total		**$ 144,072**

LUXNET CORPORATION

Statement of inventories

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

Item	Cost	Net realizable valve
Finished good	$ 361,338	
Less: Allowance for loss	(203,432)	
	157,906	157,906
Work in progress	61,152	
Less: Allowance for loss	(9,519)	
	51,633	51,633
Raw materials	176,673	
Less: Allowance for loss	(74,847)	
	101,826	101,826
	$ 311,365	**311,365**

LUXNET CORPORATION

Statement of prepaid expenses

For the year ended December 31,2020

Item	Description	Amount
Prepayment for acquisition of property	Prepayment for tools, computer peripheral equipment, etc.	$ 3,402
Prepayment for repairs	Prepayment for repairs of equipment	2,899
Prepayment for purchases	Prepayment for the purchases from suppliers	2,637
Prepayment for professional services fees	Prepayment for legal advice	595
Other (Each amount is less than 5% of prepaid expenses)		605
Total		**$ 10,138**

Statement of other current assets

Item	Description	Amount
Refund receivable	Business tax and profit-seeking enterprise income tax refunds receivable	$ 7,111
Office supplies	Supplies received	765
Overpaid sales tax	Business tax overpaid retained for offsetting the future tax	632
Other (Each amount is less than 5% of other current assets)		357
Total		**$ 8,865**

LUXNET CORPORATION

Statement of change in investments accounted for using the equity method

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Additions		Disposal		Other changes		Ending Balance			Market Value or Net Assets Value		
Investee Company	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Collateral	Amount	Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amounts	Collateral
Toplight Corporation	4,000	$ 78,119	-	-	-	-	-	276,450	4,000	100.00%	354,569	-	354,569	None

Note: Investment gain or loss, capital surplus and cumulative translation adjustment accounted for using the equity method.

LUXNET CORPORATION

Statement of change in property, plant and equipment

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

For information of property, plant and equipment, please refer to Note (e).

Statement of change in intangible assets

Item	Beginning balance	Additions	Amortization	Ending Balance
Computer software	$ 1,279	2,100	2,866	51[illegible]

LUXNET CORPORATION

Statement of non-current assets

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

Item	Ending Balance
Refundable deposits	$ 21,860
Long-term prepaid expenses	5,769
Total	**$ 27,629**

Statement of short-term borrowings

Description	Categories	End of Term Amount	Contract	Interest Rate	Credit lines	Collateral
Chang Hwa Commercial Bank Co.,Ltd	Credit loans	$ 44,700	Within a year	1.21%~1.42%	77,546	None
Taipei Fubon Commercial Bank Co.,Ltd	Credit loans	100,000	〃	1.25%	128,090	〃
Mega International Commercial Bank Co.,Ltd	Credit loans	49,416	〃	0.99%~1.28%	50,000	〃
First Commercial Bank	Credit loans	30,000	〃	1.40%	48,618	〃
CTBC Commercial Bank Co.,Ltd	Credit loans	11,236	〃	1.15%	135,000	〃
		$ 235,352				

LUXNET CORPORATION

Statement of accounts payable

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

Name of Customer	Description	Amount
LV221085 supplier	Processing, purchase and operating expenses	$ 33,904
LV220151 supplier	〃	24,971
LV220239 supplier	〃	9,857
LV221076 supplier	〃	6,542
Others (Each amount is less than 5％ of accounts payable)		35,023
Total		**$ 110,297**

Statement of other payables

Item	Description	Amount
Accrued payroll		$ 29,799
Bonuses payable		21,572
Expenses payable to suppliers		18,246
Insurance premium payable		7,350
Pensions payable		4,900
Others (Each amount is less than 5％ of other payables)	Various expenses payable	8,713
Total		**$ 90,580**

LUXNET CORPORATION

Statement of long-term borrowings

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount: Current Amount Expired within on year	Amount: Non - current Amount Expired after on year	Period	Interest Rate	Collateral
CTBC Commercial Bank Co.,Ltd	Medium-term loan	$ -	120,000	109/2/17~111/2/17	1.47%	Land、Buildings and onstruction
CTBC Commercial Bank Co.,Ltd	〃	-	200,000	109/3/13~111/3/13	1.47%	〃
		$ -	**320,000**			

Statement of other payables

For information relevant to other payable, please refer to Note 6 (i).

Statement of operating revenues

For the year ended December 31,2020

Item	Quantity	Amount
Active components for optical communication and modules	10,456,354 PCS	$ 989,398
Chips	8,349,853 PCS	100,908
Other operating revenues		78,720
		1,169,026
Less：Sales returns and allowances		(2,177)
Net operating revenues		**$ 1,166,849**

LUXNET CORPORATION

Statement of operating costs

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

Item		Amount
Raw materials:		
Beginning balance of raw materials	$	154,893
Add: Purchases		528,448
Less:Ending balance of raw materials		(176,673)
Cost of raw materials sold		(1,945)
Expenses transferred and others		2,687
Raw materials Consumption		507,410
Direct labor		182,196
Manufacturing overhead		219,069
Service cost transferred		(3,247)
Manufacturing cost		905,428
Add: Beginning balance of Work-in-process inventory		83,771
Work-in-process inventory purchased for the year		115,687
Less: Ending balance of Work-in-process inventory		(61,152)
Cost of goods manufactured		1,043,734
Add: Beginning balance of finished goods		284,832
Purchases		13,934
Less: Ending balance of finished goods		(361,338)
Expenses transferred and others		(84,854)
Cost of finished goods disposed		(6,036)
Cost of finished goods sold		890,272
Cost of raw materials sold		1,945
Cost of sold in triangular trade		12,687
Losses on inventory valuation inventories		74,052
Losses on disposal of inventories		6,036
Loss on physical inventory		2
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity		133,944
Service cost		3,247
Less: Gains on sale of scrap		(2,220)
Operating costs	**$**	**1,119,965**

LUXNET CORPORATION

Statement of selling expenses、administrative expense and research and development expense

For the year ended December 31,2020

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expense	Research and development expense
Salary expenses	$ 10,930	66,746	39,230
Depreciation expenses	240	6,788	14,483
Indirect material	-	-	18,921
Testing fee	-	382	7,691
Other expense (Each amount is less than 5% of other payables)	4,738	29,999	15,340
	$ 15,908	103,915	95,665