

Phoenix Silicon International Corporation and Subsidiaries
Consolidated Financial Statements and
Report of Independent Accountants
December 31, 2020 and 2019
(Stock Code 8028)

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Phoenix Silicon International Corporation
Consolidated Financial Statements and Report of Independent Accountants
Years Ended December 31, 2020 and 2019
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Phoenix Silicon International Corporation and Subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Phoenix Silicon International Corporation and Subsidiaries

Representative: Mike Yang

February 23, 2021.

REPORT OF INDEPENDENT ACCOUNTANTS

(110) Financial Report No. 20002223

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation

Opinion

We have audited the accompanying consolidated sheets of Phoenix Silicon International Corporation and subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Accountant’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China (the “Norm”), 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 for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Evaluation of inventories

Description

Please refer to Note 4 (12) of the consolidated financial report for the accounting policy of evaluation inventories. Please refer to 5(2)1 for the uncertainty of accounting estimates and assumptions applied in inventory valuation. Please refer to Notes 6(5) of the consolidated financial report for the accounting account descriptions of inventories.

The lithium ion battery products produced by the Group's energy division had to be actively promoted in the market so that the risk of loss on market value decline or obsolescence is higher. Inventories of Group are measured at the lower of cost and net realizable value method. The net realizable value often involves with subjective judgments.

In consider the energy division of inventories evaluation results would have a significant impact on financial statements, therefore, we consider the evaluation of inventories as one of the key audit matters.

How our audit addressed the matter

Our key audit procedures performed in respect of the above area included the following :

Obtained an understanding of accounting policies on the provision of allowance for inventory valuation losses and validated the accuracy of inventory aging report, as well as sampled and confirmed the consistency of quantities and amounts with detailed inventory listings, verified the dates of movements with supporting documents and ensured the proper categorization of inventory aging report. Evaluated and confirmed the reasonableness of net realizable value for inventories through validating respective supporting documents.

Audit of increase of property, plant and equipment (PP&E)

Description

Please refer to Note 4 (13) of the consolidated financial report for the accounting policy of property, plant and equipment. Please refer to Notes 6(6) of the consolidated financial report for the accounting account descriptions of property, plant and equipment.

Phoenix Group mainly provides the professional processing for semiconductor wafer, such as recycling, thinning and the others. Consider the group's capital expenditures have been increasing tremendously in this year, we listed the accounting policy of property, plant and

equipment as one of the key audit matters.

How our audit addressed the matter

Evaluate and test the effectiveness of relevant internal controls related to the addition and depreciation of property, plant and equipment. Validate the relevant purchase orders, invoices, etc. to confirm that transactions have been properly approved and booked with correct amount. Validate the acceptance report to confirm whether the assets are actually available for use and booked in the catalog of fixed assets at the appropriate time, and whether the depreciation calculations have been correctly started.

Other Matter - the Parent Company Only Financial Statements

We have also audited the parent company only financial statements of Phoenix Silicon International Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the

planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Li, Tien-Yi

Xie, Zhi-Zheng

For and on behalf of PricewaterhouseCoopers, Taiwan February 23, 2021

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

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

Phoenix Silicon International Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,140,746	22	\$ 1,811,396	34
1110	Financial assets at fair value through profit or loss	6(2)	595	-	1,327	-
1136	Financial assets at amortised cost - current	6(3) and 8	3,500	-	-	-
1140	Contract assets-current	6(19)	128,884	3	171,059	3
1150	Notes receivable	6(4)	100	-	156	-
1170	Accounts receivable	6(4)	359,570	7	354,606	7
1200	Other receivables		2,020	-	24,644	-
1220	Current tax assets		2,277	-	-	-
130X	Inventories	6(5)	247,462	5	245,558	5
1410	Prepayments		14,207	-	13,041	-
1470	Other current assets	8	2,071	-	4,736	-
11XX	Total current assets		<u>1,901,432</u>	<u>37</u>	<u>2,626,523</u>	<u>49</u>
Non-current assets						
1535	Financial assets at amortised cost - non-current	6(3) and 8	12,417	-	-	-
1600	Property, plant and equipment	6(6) and 8	2,819,389	55	2,388,908	44
1755	Right-of-use asset	6(7)	245,422	5	223,996	4
1780	Intangible assets		29,506	1	33,238	1
1840	Deferred income tax assets	6(26)	20,229	-	16,543	-
1900	Other non-current assets	8	94,934	2	117,965	2
15XX	Total non-current assets		<u>3,221,897</u>	<u>63</u>	<u>2,780,650</u>	<u>51</u>
1XXX	Total assets		<u>\$ 5,123,329</u>	<u>100</u>	<u>\$ 5,407,173</u>	<u>100</u>

(Continued)

Phoenix Silicon International Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
	Current Liabilities					
2100	Short-term borrowings	6(9) and 8	\$ 30,000	-	\$ 36,346	1
2120	Financial liabilities at fair value through profit or loss	6(10)	1,258	-	465	-
2130	Contract liabilities - current	6(19)	32,642	1	12,988	-
2170	Accounts payable		149,408	3	142,827	2
2200	Other payables	6(11)	300,872	6	426,987	8
2230	Current income tax liabilities		-	-	52,641	1
2280	Current lease liabilities		14,367	-	13,657	-
2320	Long-term liabilities-current portion	6(12)(13)	1,217,023	24	366,572	7
2399	Other current liabilities		1,220	-	563	-
21XX	Total current liabilities		<u>1,746,790</u>	<u>34</u>	<u>1,053,046</u>	<u>19</u>
	Non-current liabilities					
2530	Bonds payable	6(12)	-	-	963,499	18
2540	Long-term borrowings	6(13) and 8	764,315	15	653,236	12
2550	Non-current provisions	6(15)	22,383	-	21,615	-
2580	Non-current lease liabilities		234,578	5	212,138	4
2600	Other non-current liabilities	6(14)	31,367	1	31,043	1
25XX	Total non-current liabilities		<u>1,052,643</u>	<u>21</u>	<u>1,881,531</u>	<u>35</u>
2XXX	Total liabilities		<u>2,799,433</u>	<u>55</u>	<u>2,934,577</u>	<u>54</u>
	Equity					
	Share capital	6(16)				
3110	Ordinary share		1,324,080	26	1,324,080	25
	Capital surplus	6(17)				
3200	Capital surplus	6(16)	634,768	12	634,768	11
	Retained earnings	6(18)				
3310	Legal reserve	6(17)	127,863	3	95,022	2
3350	Unappropriated retained earnings	6(17)	220,854	4	383,400	7
31XX	Total Owners' equity belongs to parent		<u>2,307,565</u>	<u>45</u>	<u>2,437,270</u>	<u>45</u>
36XX	Non-controlling interests		<u>16,331</u>	<u>-</u>	<u>35,326</u>	<u>1</u>
3XXX	Total equity		<u>2,323,896</u>	<u>45</u>	<u>2,472,596</u>	<u>46</u>
	Significant contingent liabilities and unrecognized commitments	9				
	Significant disaster losses	10				
3X2X	Total liabilities and equity		<u>\$ 5,123,329</u>	<u>100</u>	<u>\$ 5,407,173</u>	<u>100</u>

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

Phoenix Silicon International Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, Except earnings per share)

Items	Notes	2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19)	\$ 2,442,176	100	\$ 2,649,059	100
5000 Operating costs	6(5)(24) (25)	(1,914,775)	(78)	(1,759,619)	(66)
5950 Gross profit		<u>527,401</u>	<u>22</u>	<u>889,440</u>	<u>34</u>
Operating expenses	6(24) (25)				
6100 Selling expenses		(51,215)	(2)	(62,214)	(2)
6200 General and administrative expenses		(250,843)	(11)	(244,257)	(9)
6300 Research and development expenses		(149,194)	(6)	(152,054)	(6)
6450 Expected credit gains	12(2)	(257)	-	(47)	-
6000 Total operating expenses		<u>(451,509)</u>	<u>(19)</u>	<u>(458,572)</u>	<u>(17)</u>
6900 Operating income		<u>75,892</u>	<u>3</u>	<u>430,868</u>	<u>17</u>
Non-operating income and expenses					
7100 Interest income	6(20)	3,112	-	3,526	-
7010 Other income	6(21)	54,827	2	1,370	-
7020 Other gains and losses	6(22)	(6,670)	-	886	-
7050 Finance costs	6(23)	(32,986)	(1)	(20,390)	-
7000 Total non-operating income and expenses		<u>18,283</u>	<u>1</u>	<u>(14,608)</u>	<u>-</u>
7900 Profit before income tax, net		<u>94,175</u>	<u>4</u>	<u>416,260</u>	<u>17</u>
7950 Income tax expense	6(26)	<u>21,383</u>	<u>1</u>	<u>(99,232)</u>	<u>(4)</u>
8200 Net income for the year		<u>\$ 115,558</u>	<u>5</u>	<u>\$ 317,028</u>	<u>13</u>
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Losses on remeasurements of defined benefit plans	6(14)	\$ 697	-	(\$ 4,610)	-
8349 Income tax benefit related to items that will not be reclassified subsequently	6(26)	(139)	-	922	-
8300 Total comprehensive income (loss) for the year		<u>\$ 558</u>	<u>-</u>	<u>(\$ 3,688)</u>	<u>-</u>
8500 Total net income for the year belong to:		<u>\$ 116,116</u>	<u>5</u>	<u>\$ 313,340</u>	<u>13</u>
Parent owners					
8610 Non-controlling interests		\$ 134,553	6	\$ 332,095	14
8620 Total		<u>(18,995)</u>	<u>(1)</u>	<u>(15,067)</u>	<u>(1)</u>
Total comprehensive income for the year belong to :		<u>\$ 115,558</u>	<u>5</u>	<u>\$ 317,028</u>	<u>13</u>
Parent owners					
8710 Non-controlling interests		\$ 135,111	6	\$ 328,407	14
8720 Total		<u>(18,995)</u>	<u>(1)</u>	<u>(15,067)</u>	<u>(1)</u>
Profit before income tax, net		<u>\$ 116,116</u>	<u>5</u>	<u>\$ 313,340</u>	<u>13</u>
Basic earnings per share	6(27)				
9750 Basic earnings per share		<u>\$</u>	<u>1.02</u>	<u>\$</u>	<u>2.51</u>
Diluted earnings per share	6(27)				
9850 Diluted earnings per share		<u>\$</u>	<u>1.00</u>	<u>\$</u>	<u>2.46</u>

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

Phoenix Silicon International Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars. Except earnings per share)

	Note	Equity Attributable to Shareholders of the Parent				Total	Non-controlling interests	Total equity
		Ordinary share	Capital surplus	Legal reserve	Retained Earnings Unappropriated retained earnings			
<u>Year 2019</u>								
Balance at January 1, 2019		\$ 1,324,080	\$ 502,474	\$ 71,759	\$ 290,109	\$ 2,188,422	\$ 50,393	\$ 2,238,815
Profit for the year		-	-	-	332,095	332,095	(15,067)	317,028
Other comprehensive income (loss) for the year		-	-	-	(3,688)	(3,688)	-	(3,688)
Total comprehensive income		-	-	-	328,407	328,407	(15,067)	313,340
Distribution of 2018 earnings:	6(18)							
Legal reserve		-	-	23,263	(23,263)	-	-	-
Cash dividends		-	-	-	(211,853)	(211,853)	-	(211,853)
Corporate Bond Issuance	6(17)	-	132,294	-	-	132,294	-	132,294
Balance at December 31, 2019		\$ 1,324,080	\$ 634,768	\$ 95,022	\$ 383,400	\$ 2,437,270	\$ 35,326	\$ 2,472,596
<u>Year 2020</u>								
Balance at January 1, 2020		\$ 1,324,080	\$ 634,768	\$ 95,022	\$ 383,400	\$ 2,437,270	\$ 35,326	\$ 2,472,596
Profit for the year		-	-	-	134,553	134,553	(18,995)	115,558
Other comprehensive income (loss) for the year		-	-	-	558	558	-	558
Total comprehensive income		-	-	-	135,111	135,111	(18,995)	116,116
Distribution of 2019 earnings:	6(18)							
Legal reserve		-	-	32,841	(32,841)	-	-	-
Cash dividends		-	-	-	(264,816)	(264,816)	-	(264,816)
Balance at December 31, 2020		\$ 1,324,080	\$ 634,768	\$ 127,863	\$ 220,854	\$ 2,307,565	\$ 16,331	\$ 2,323,896

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

Phoenix Silicon International Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 94,175	\$ 416,260
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)		
	(24)	477,189	372,095
Amortization	6(24)	17,972	14,602
Expected credit gains	12(2)	257	47
Loss on financial assets at fair value through profit or loss	6(2)(10)		
	(22)	(4,800)	(1,072)
Interest expense	6(23)	32,986	20,390
Interest income	6(20)	(3,112)	(3,526)
Gain or loss on disposals of property, plant and equipment	6(22)		
		(3,718)	(83)
Impairment loss on property, plant and equipment	6(22)	2,143	-
Impairment loss on Intangible asset	6(22)	541	-
Customer default payments with assets		(28,912)	-
Provision of liabilities		(363)	(1,220)
Changes in operating assets and liabilities			
Changes in operating assets			
financial asset or financial liability at fair value through profit or loss		6,324	-
Contract assets		42,175	(87,183)
Accounts note		56	9,399
Accounts receivable		(5,221)	29,644
Other receivables, net		22,470	(23,355)
Inventories		(1,904)	(51,963)
Prepayments		(1,166)	6,422
Other current assets		(335)	3,873
Changes in operating liabilities			
Contract liabilities		19,654	12,628
Accounts payable		6,581	18,415
Inventories		(66,986)	74,866
Other payables		657	(10,609)
Other current liabilities		(601)	(526)
Net defined benefit liability		1,478	1,909
Cash inflow generated from operations		607,540	801,013
Interest received		3,263	3,442
Interest paid		(17,044)	(16,989)
Income tax paid		(37,357)	(107,714)
Net cash flows from operating activities		556,402	679,752

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Phoenix Silicon International Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 2,123)	\$ -
Acquisition of property, plant and equipment	6(28)	(913,332)	(1,096,815)
Proceeds from disposal of property, plant and equipment		9,795	1,329
Acquisition of intangible assets		(14,781)	(13,152)
Increase in Refundable Deposits		(5,919)	(36,906)
Decrease in Refundable Deposits		1,965	35,165
Other current financial assets		-	(3,000)
Other financial assets – non current		-	(1,500)
Net cash flows used in investing activities		<u>(924,395)</u>	<u>(1,114,879)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase of Short-term Borrowings	6(29)	104,829	98,410
Decrease of Short-term Borrowings	6(29)	(111,175)	(82,064)
Issuance of Convertible Corporate Bonds	6(29)	-	1,094,015
Increase in long-term borrowings	6(29)	618,203	838,880
Repayment of long-term borrowings	6(29)	(635,317)	(342,415)
Increase in guarantee deposits received	6(29)	290	555
Decrease in guarantee deposits received	6(29)	(146)	(183)
Redemption of lease liabilities	6(29)	(14,525)	(12,995)
Cash dividends paid (Cash dividends paid from capital surplus)	6(18)	(264,816)	(211,853)
Net cash flows used in financing activities		<u>(302,657)</u>	<u>1,382,350</u>
Net increase in cash and cash equivalents		(670,650)	947,223
Cash and cash equivalents at beginning of year	6(1)	<u>1,811,396</u>	<u>864,173</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,140,746</u>	<u>\$ 1,811,396</u>

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

PHOENIX SILICON INTERNATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Phoenix Silicon International Corporation (the “Company”) was incorporated in March 1997 and commenced its operations in June 1998. The Company is engaged in the research, design, manufacture, and sales of reclaim wafer, test wafer, product wafer, solar cell, lithium ion battery for energy storage. In order to improve competitiveness and business performance, the Company has carried out specialization and reorganization procedures. On March 7, 2017, organizational adjustments approved by the Board of Directors to sell the related business (including assets and liabilities) of an existing energy division of the Company to Phoenix Battery Corporation a 100% -owned subsidiary. Phoenix Battery Corporation would issue new shares as consideration for the transfer of business. The base date of sell was July 1, 2017. The Company completed the first cash increase and the registration of increase after the transfer of business was completed on January 24, 2018. As of December 31, 2020, the Company held 25,100 thousand shares of its subsidiary, Phoenix Battery Co., Ltd., with a shareholding ratio of 71.51%.

The Company and its subsidiaries collectively referred herein as the “Group”.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 23, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 of Interest Rate Benchmark Reform	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-Related Rent Concessions’	June 1, 2020 (Note)

Note: Early adoption from January 1, 2020 is allowed by FSC.

Based on the Group’s assessment, the above standards and interpretations have no significant impact on the Group’s financial position and financial performance.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment

retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business activities</u>	<u>Ownership %</u>		<u>Note</u>
			<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Phoenix Silicon International Corporation	Phoenix Battery Corporation	battery manufacturing	71.51%	71.51%	

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2020 and December 31, 2019, the Group's total non-controlling interests with amounts of NTD \$ 16,331 and NTD \$ 35,326, respectively. Information at Subsidiaries that have non-controlling interests that are material to the Group were as follows:

<u>Name of subsidiary</u>	<u>Main Operating Location</u>	<u>Non-controlling interests</u>				<u>Note</u>
		<u>December 31, 2020</u>		<u>December 31, 2019</u>		
		<u>Amount</u>	<u>Ownership</u>	<u>Amount</u>	<u>Ownership</u>	
Phoenix Battery Corporation	Taiwan	<u>\$ 16,331</u>	28.49%	<u>\$35,326</u>	28.49%	None

The financial information for each class of the subsidiaries is detailed below:

THE BALANCE SHEET

	<u>Phoenix Battery Corporation</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 155,110	\$ 191,615
Non-current assets	130,695	166,015
Current liabilities	(160,013	(135,502)
Non-current liabilities	(68,470)	(98,134)
Total assets, net	<u>\$ 57,322</u>	<u>\$ 123,994</u>

COMPREHENSIVE INCOME

	<u>Phoenix Battery Corporation</u>	
	<u>Year ended 2020</u>	<u>Year ended 2019</u>
Income	\$ 174,781	\$ 188,994
Loss before income tax, net	(66,672)	(52,885)
Income tax expense	-	-
Net loss for the year	(66,672)	(52,885)
Other comprehensive income or loss for the year(After income tax, net)	-	-
Total comprehensive income (loss) for the year	(\$ 66,672)	(\$ 52,885)
Total comprehensive income (loss) belong Non-current assets	(\$ 18,995)	(\$ 15,067)

CASH FLOWS

	<u>Phoenix Battery Corporation</u>	
	<u>Year ended 2020</u>	<u>Year ended 2019</u>
Net cash flows from operating activities	(\$ 14,195)	(\$ 29,478)
Net cash flows used in investing activities	(5,337)	(71,560)
Net cash flows used in financing activities	35,205	42,416
Net decrease in cash and cash equivalents	(26,347)	(58,622)
Cash and cash equivalents at beginning of year	42,514	101,136
Cash and cash equivalents at end of year	\$ 16,167	\$ 42,514

(4) Foreign currency translation

The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional and the Group's presentation currency.

Foreign currency transactions and balances:

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle ;
- (b) Assets held mainly for trading purposes ;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date ;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current assets.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle ;
- (b) Liabilities arising mainly from trading activities ;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date ;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. Financial assets at amortized cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria :

- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

The Group has assessed the debt instrument investments measured at amortized cost and accounts receivable or contract assets that contain significant financial components during each balance sheet date. If all of the reasonable and corroborative information (including perspective data) did not significantly increase the credit risk after the initial recognition, the allowance loss was measured via the 12-month expected credit loss amount. If there is a significant increase of credit risk after the initial recognition, the allowance loss is measured by the amount of expected credit loss during the period of existence. For accounts receivable or contract assets that do not contain significant financial components, allowance losses are measured via the amount of expected credit losses over the life of the deposit.

(11) Derecognition of Financial Assets

The Group shall derecognize financial assets when one of the following conditions is met:

- A. Contractual rights to receive cash flows from financial assets have lapsed.
- B. The contractual rights to receive cash flows from financial assets have been transferred, and almost all the risks and rewards of ownership of the financial assets have been transferred.
- C. Transfer of contractual rights to receive cash flows from financial assets, but does not retain control over such financial assets.

(12) Inventories

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

applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

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

Buildings and structures	4 to 51 years
Machinery and equipment	2 to 10 years
Vehicles	5 to 6 years
Office equipment	3 to 6 years
Leases improvement	2 to 20 years
Leases assets	6 years
Other fixed assets	3 to 6 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised fixed payments, less any lease incentives receivable.
The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there

are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

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

Right-of-use assets are initially measured at cost, which includes:

- (a) The cost originally measured for the lease liability, and
- (b) Any original direct costs incurred before lease asset is available for using.

The following measurements will adopt cost model. The lease asset will be depreciated based on the period which is lower between the durability of the asset and the maturity of the leasing. The right-of-use asset will be adjusted by any possible change of the original measurements when the lease liability is reassessed.

(15) Intangible assets

- A. Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.
- B. Other Intangible assets mainly are expenditure for laying electrical wires and cables etc. is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

Refers to borrowings of long-term, of short-term from bank and other borrowings of long-term, of short-term. When the original recognition is based on the fair value less the trade costs, any subsequent difference between the price and the redemption value after deducting the transaction cost shall be recognized as interest expense in profit or loss using the effective interest method during the circulation period according to the amortization procedure.

(18) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services are those resulting from operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured

at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. When a financial liability meets one of the following conditions, it is designated at fair value through profit or loss when it is originally recognized:
- (a) Is a mixed (combined) contract; or
 - (b) Eliminate or significantly reduce the measurement inconsistencies; or
 - (c) An instrument whose performance is managed and evaluated on a fair value basis, based on written risk management or strategies.
- B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(20) Convertible Corporate Bonds Payable

The convertible corporate bonds issued by the Group shall be embedded with a conversion right (i.e., the holder can choose to convert them into the ordinary shares of the Group, and convert a fixed amount into a number of shares). At the initial issuance, the issue price shall be classified into financial assets, financial liabilities, or equity according to the conditions of issuance and be handled as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or losses.
- B. The host contract of corporate bonds: During original recognition, the difference between the fair value measured and the redemption value shall be recognized as payable corporate premium/discount. Subsequently, the effective interest method by amortization procedure shall be adopted during the circulation period to be recognized as profit or loss, and treated as an adjustment item for "financial costs."
- C. Embedded conversion rights (in accordance with the definition of equity): At the time of the original recognition, the residual value after the issuance amount deducted the aforesaid "financial assets at fair value through profit or loss" and "corporate bonds payable" shall be listed as the "capital reserve - stock option." No subsequent re-measurement shall be provided.
- D. Any transaction costs directly attributable to the issuance shall be allocated to the various liability and equity components according to the various original book value ratio components as described above.

E. When a holder converts, the liability component of the account (including "corporate bonds payable" and financial assets or liabilities at fair value through profit or loss, designated as upon initial recognition) shall be handled according to the subsequent measurement method for its category. Then the aforesaid liability component book value plus the "capital reserve - stock option" book value shall serve as the issuance cost for the ordinary share conversion.

(21) Derecognition of financial liabilities

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

(22) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss

B. A mixed contract of financial assets embedded in derivatives, at the time of the original recognition, determines that the overall hybrid tool is classified as financial assets measured at fair value through gains and losses, financial assets measured at fair value through other gains and losses, and financial assets measured at amortized cost.

C. The non-financial asset hybrid contract embedded in the derivative instrument determines whether the embedded derivative is closely related to the economic characteristics and risk of the main contract in the original recognition according to the terms of the contract to determine whether to separate or not. When it is closely related, the overall blending tool is treated according to its nature according to appropriate criteria. When it is not closely related, the derivative is separated from the principal contract and is treated as a derivative. The principal contract is treated according to its nature on the basis of appropriate criteria; or the overall recognition at the original recognition is a financial liability measured at fair value through profit or loss.

(23) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation, the discounted amortization is recognized as interest expense. No future operating losses shall be recognized as a liability reserve.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as

expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

(b) For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(c) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

II. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

III. The past service cost related expenses shall immediately be recognized as profits or losses.

(d) Employees' compensation and directors' and supervisors' remuneration

(e) Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions

taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. If a change in tax rate is enacted or substantively enacted, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

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

(28) Income Recognition

A. Sales of goods

- (a) The Group manufactures and sells semiconductor wafer and lithium ion battery related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, 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 wholesaler, and either the wholesaler has accepted the products in

accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) The Group provides standard warranty on the products sold, and has the obligation to maintain the products. The liabilities are recognized when the goods are sold.
- (c) Accounts receivable are recognized when the goods are delivered to the customer. Since the Group has unconditional rights to the contract price from that point on time, it is only necessary to collect the consideration from the customer when the time comes.

B. Service revenue

The Group provides semiconductor foundry and related services. The Group considers:

(a) Customer controls the provided raw materials and the Group receives the instruction from the customer on providing process services and subsequent treatments ◦

(b) The Group provides process services to create or enhance an asset which solely provided and controlled by the customer. The Group has no right to transfer the asset for another use.

As the asset ownership belongs to the customer, who bears the significant risk and rewards and rights on the use of the asset, the Group recognizes process services revenue based on the progress towards completion of performance obligation during the service period.

The degree of completion for the Group 's process service shall be determined based on the actual service cost that have occurred over the total service cost.

The Group provides process services according to the customers' specifications. So the service cost required for the investment is not incurred on average during the service period. The Group believes that it is appropriate to measure the completion of the performance obligations for the customers in the manner described above. The customer pays the contract price in accordance with the payment schedule agreed upon, and is recognized as a contract assets when the services provided by the Group exceed the customer's payables, and are recognized as contract liabilities if the customer pays more than the services provided by the Group.

C. Segment of Financial components

Some of contracts the Group commits to transfer merchandises or services to customers, and customers although make payments within one year. Therefore, the Group does not adjust the transaction price in order to reflect the monetary time value.

(29) Government Grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$247,462.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 600	\$ 574
Check deposit	1,266	1,270
Demand deposit	769,280	782,052
Deposit account	<u>369,600</u>	<u>1,027,500</u>
Total	<u>\$ 1,140,746</u>	<u>\$ 1,811,396</u>

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

B. The Group has no cash and cash equivalents pledged to others. Pledged deposit account information is provided in financial assets at amortized cost /other non-current assets Note 8.

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

Item	December 31, 2020	December 31, 2019
Current Items:		
Financial assets measured compulsorily at fair value through profit or loss		
Derivative instruments	\$ 595	\$ 1327

A. The breakdown of financial assets measured at fair value through profit or loss recognized as profit (or loss) is as follows:

	2020	2019
Financial assets measured compulsorily at fair value through profit or loss		
Derivative instruments	\$ 7,218	\$ 3,548

B. The transactions and contracts information of the derivative financial assets undertaken by the Group not under hedge accounting were as follows:

	December 31, 2020	
Non-hedging derivative assets	Contract amount (Notional amount)	Contract period
Current items :		Nov. 11, 2020
Forward exchange contracts	USD 1,880	~Feb. 19, 2021
	December 31, 2019	
Non-hedging derivative assets	Contract amount (Notional amount)	Contract period
Current items :		Oct. 25, 2019
Forward exchange contracts	USD 4,000	~Feb. 7, 2020

The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The Group did not apply hedge accounting treatment for these derivative contracts.

C. For information on the credit risk of financial assets measured by fair value through profit or loss, please refer to Note 12 (2).

(3) Financial assets at amortized cost

Item	December 31, 2020	December 31, 2019
Current Items:		
Time deposits over three months	\$ 500	
Restricted bank deposits	3,000	\$ -
Total	<u>\$ 3,500</u>	<u>\$ -</u>
Non Current Items:		
Pledged time deposit	<u>\$ 12,417</u>	<u>\$ -</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2020	2019
Interest income	<u>\$ 128</u>	<u>\$ -</u>

B. Details of the financial assets at amortized cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(4) Accounts and notes receivable

	December 31, 2020	December 31, 2019
Accounts notes	<u>\$ 100</u>	<u>\$ 156</u>
Accounts receivable	359,874	354,653
Less: Allowance for bad debts	<u>(304)</u>	<u>(47)</u>
	<u>\$ 359,570</u>	<u>\$ 354,606</u>

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivable	Accounts note	Accounts receivable	Accounts note
Not past due	\$ 347,075	\$ 100	\$ 350,887	\$ 156
Up to 30 days	12,394	-	3,447	-
Past due 31-90 days	-	-	132	-
Past due 91-180 days	-	-	187	-
181 days or more	405	-	-	-
	<u>\$ 359,874</u>	<u>\$ 100</u>	<u>\$ 354,653</u>	<u>\$ 156</u>

The above ageing analysis is based on past due date.

B. As of December 31, 2020 and December 31, 2019 notes and accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts

with customers amounted to \$393,852.

- C. The Group has no accounts receivable pledged to others.
- D. Without considering the collateral held or other credit enhancements, the maximum credit risk amounts representing the Group's accounts note in 2020 and as of December 31, 2019 are \$100 and \$156 respectively, the maximum credit risk amounts representing the Group's accounts receivable in 2020 and as of December 31, 2019 are \$359,570 and \$354,606 respectively.
- E. As of December 31, 2020 and December 31, 2019, the Group held commercial promissory notes provided by customers as collateral for credit receivables with amounts of \$ 11,000.
- F. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2020		
	Cost	Allowance for obsolescence and market value decline	Book value
Merchandise	\$ 12,579	(\$ 6,508)	\$ 6,071
Raw materials	179,521	(45,351)	134,170
Work in process	29,943	(343)	29,600
Finished goods	134,841	(57,220)	77,621
Total	\$ 356,884	(\$ 109,422)	\$ 247,462

	December 31, 2019		
	Cost	Allowance for obsolescence and market value decline	Book value
Merchandise	\$ 12,926	(\$ 451)	\$ 12,475
Raw materials	175,936	(32,679)	143,257
Work in process	26,597	(2,953)	23,644
Finished goods	128,806	(62,624)	66,182
Total	\$ 344,265	(\$ 98,707)	\$ 245,558

Operating costs incurred on inventories for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Cost of inventories sold	\$ 1,918,414	\$ 1,767,294
Inventories for valuation loss	10,715	4,775
Gain from disposal of scrap material	(443)	(935)
Others	(13,911)	(11,515)
	\$ 1,914,775	\$ 1,759,619

(6) Property, plant and equipment

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased improve	Leased assets	Others	Equipment under Installation and construction in progress	Total
January 1, 2020									
Cost	\$ 1,342,948	\$ 3,115,196	\$ 10,646	\$ 39,154	\$ 52,094	\$ 538	\$ 81,167	\$ 215,654	\$ 4,857,397
Accumulated depreciation	(489,396)	(1,877,665)	(6,980)	(26,326)	(28,448)	(501)	(39,173)	-	(2,468,489)
	<u>\$ 853,552</u>	<u>\$ 1,237,531</u>	<u>\$ 3,666</u>	<u>\$ 12,828</u>	<u>\$ 23,646</u>	<u>\$ 37</u>	<u>\$ 41,994</u>	<u>\$ 215,654</u>	<u>\$ 2,388,908</u>
<u>2020</u>									
Opening net book amount	\$ 853,552	\$ 1,237,531	\$ 3,666	\$ 12,828	\$ 23,646	\$ 37	\$ 41,994	\$ 215,654	\$ 2,388,908
Additions	169,694	402,481	690	940	1,460	-	13,213	311,163	899,641
Disposals	-	(6,018)	-	-	(59)	-	-	-	(6,077)
Reclassifications	31,752	145,274	-	-	-	-	1,611	(178,637)	-
Depreciation	(100,775)	(336,711)	(955)	(4,152)	(5,129)	(37)	(13,181)	-	(460,940)
Impairment loss	-	(101)	-	-	(1,969)	-	(73)	-	(2,143)
Closing net book amount	<u>\$ 954,223</u>	<u>\$ 1,442,456</u>	<u>\$ 3,401</u>	<u>\$ 9,616</u>	<u>\$ 17,949</u>	<u>\$ -</u>	<u>\$ 43,564</u>	<u>\$ 348,180</u>	<u>\$ 2,819,389</u>
December 31, 2020									
Cost	\$ 1,480,677	\$ 3,491,861	\$ 11,336	\$ 22,571	\$ 53,416	\$ 538	\$ 84,604	\$ 348,180	\$ 5,493,183
Accumulated depreciation	(526,454)	(2,049,304)	(7,935)	(12,955)	(33,498)	(538)	(40,967)	-	(2,671,651)
Accumulated impairment loss	-	(101)	-	-	(1,969)	-	(73)	-	(2,143)
	<u>\$ 954,223</u>	<u>\$ 1,442,456</u>	<u>\$ 3,401</u>	<u>\$ 9,616</u>	<u>\$ 17,949</u>	<u>\$ -</u>	<u>\$ 43,564</u>	<u>\$ 348,180</u>	<u>\$ 2,819,389</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased improve	Leased assets	Others	Equipment under Installation and construction in progress	Total
January 1, 2019									
Cost	\$ 1,185,138	\$ 2,194,289	\$ 8,117	\$ 33,090	\$ 34,849	\$ 538	\$ 53,716	\$ 149,165	\$ 3,658,902
Accumulated depreciation	(408,976)	(1,625,174)	(7,268)	(22,239)	(26,494)	(411)	(32,131)	-	(2,122,693)
	<u>\$ 776,162</u>	<u>\$ 569,115</u>	<u>\$ 849</u>	<u>\$ 10,851</u>	<u>\$ 8,355</u>	<u>\$ 127</u>	<u>\$ 21,585</u>	<u>\$ 149,165</u>	<u>\$ 1,536,209</u>
2019									
Opening net book amount	\$ 776,162	\$ 569,115	\$ 849	\$ 10,851	\$ 8,355	\$ 127	\$ 21,585	\$ 149,165	\$ 1,536,209
Additions	156,495	808,554	3,315	6,710	12,556	-	28,059	199,444	1,215,133
Disposals	(143)	(481)	-	-	(148)	-	(474)	-	(1,246)
Reclassifications	1,897	119,011	-	-	6,923	-	1,237	(132,955)	(3,887)
Depreciation	(80,859)	(258,668)	(498)	(4,733)	(4,040)	(90)	(8,413)	-	(357,301)
Closing net book amount	<u>\$ 853,552</u>	<u>\$ 1,237,531</u>	<u>\$ 3,666</u>	<u>\$ 12,828</u>	<u>\$ 23,646</u>	<u>\$ 37</u>	<u>\$ 41,994</u>	<u>\$ 215,654</u>	<u>\$ 2,388,908</u>
December 31, 2019									
Cost	\$ 1,342,948	\$ 3,115,196	\$ 10,646	\$ 39,154	\$ 52,094	\$ 538	\$ 81,167	\$ 215,654	\$ 4,857,397
Accumulated depreciation	(489,396)	(1,877,665)	(6,980)	(26,326)	(28,448)	(501)	(39,173)	-	(2,468,489)
	<u>\$ 853,552</u>	<u>\$ 1,237,531</u>	<u>\$ 3,666</u>	<u>\$ 12,828</u>	<u>\$ 23,646</u>	<u>\$ 37</u>	<u>\$ 41,994</u>	<u>\$ 215,654</u>	<u>\$ 2,388,908</u>

- A. There are no capitalisation of interest case on the year 2020 and 2019
- B. Information about the property, plant, and equipment that were pledged to others as collateral is provided in Note 8.
- C. Information about the impairment loss of property, plant, and equipment is provided in Note 6 (8).

(7) Leasing arrangements — lessee

- A. The Group leases various assets including land and transportation equipment. Rental contracts are made for periods of 2 to 19 years. Lease terms are negotiated on an individual basis and contain various terms and conditions. Except that the leased assets cannot be used as loan guarantees, no other restrictions are imposed.
- B. The period of the employee dormitory leased by the Group does not exceed 12 months, and the leased underlying assets that are low value are accounted for facilities and other equipment.
- C. The carrying amount of right-of-use assets and the depreciation expenses are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 230,867	\$ 201,522
Building	13,728	20,317
Transportation equipment	827	2,157
	<u>\$ 245,422</u>	<u>\$ 223,996</u>

	<u>2020</u>	<u>2019</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 8,330	\$ 7,180
Building	6,589	6,579
Transportation equipment	1,330	1,035
	<u>\$ 16,249</u>	<u>\$ 14,794</u>

- D. For the year ended December 31, 2020 and December 31, 2019, additions to right-of-use assets was \$37,675 and \$3,192 respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,124	\$ 3,684
Expense on short-term lease contracts	2,847	4,768
Expenses for lease of low-value assets	395	381

- F. For the year ended December 31, 2020 and December 31, 2019, the Group's total cash outflow for leases was \$21,891 and \$21,828 respectively.
- G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Impairment of non-financial assets

A. As of December 31, 2020, the impairment loss recognized in profit or loss amounted to NT\$2,684 are listed below :

	<u>2020</u>	
	<u>Recognized in profit or loss</u>	
Impairment loss - Machinery and equipment	\$	101
Impairment loss - Leased improve		1,969
Impairment loss - Others		73
Impairment loss - Intangible assets		541
Total	\$	<u>2,684</u>

B. The subsidiary, Phoenix Battery Corporation, recognized the impairment loss on property, plant and equipment and intangible assets amounted to NT\$2,684 adjusted by the recoverable amounts on the year of 2020 due to not achieve the scale economy. The recoverable amounts are the fair value of property, plant and equipment and intangible assets less costs, which fair value have been defined as level 3.

(9) Short-term Loans

<u>Type of loans</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank Loans			
Secured Loans(Note)	\$ 10,000	2.22%	Reserve account and guarantee of credit guaranteed fund
Secured Loans(Note)	<u>20,000</u>	1.72%	Guarantee of credit guaranteed fund
	<u>\$ 30,000</u>		

<u>Type of loans</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank Loans			
Secured Loans	\$ 6,346	3.54%	Reserve account and guarantee of credit guaranteed fund
Secured Loans(Note)	20,000	2.00%	Guarantee of credit guaranteed fund
Unsecured Loans	<u>10,000</u>	2.50%	None
	<u>\$ 36,346</u>		

A. As of December 31, 2020 and 2019, the interest expense recognized in profit or loss amounted to NT\$565 and NT\$671, respectively.

B. Please refer to Note 8 of secured loans of collateral.

Note: Accordance with the contractual arrangements sign by subsidiaries Phoenix Battery Corporation, the parent's ownership not be allowed less than 65% within duration of loan.

(10) Financial liabilities at fair value through profit or loss – current

Item	December 31, 2020	December 31, 2019
Current items :		
Financial liabilities held for trading		
derivative instruments	\$ 1,058	\$ 165
Convertible Bond	200	200
Evaluation adjustment	-	100
Total	\$ 1,258	\$ 465

A. The breakdown of financial liabilities measured at fair value through profit or loss recognized as profit (or loss) is as follows :

	2020	2019
Recognized net profit(loss) :		
Financial liabilities held for trading		
Derivative instruments	(\$ 2,518)	(\$ 2,756)
Convertible Bond	100	(100)
Total	(\$ 2,418)	(\$ 2,856)

B. The non-hedging derivative instruments transaction and contract information as follows :

	December 31, 2020		December 31, 2019	
Non-hedging	Contract amount		Contract amount	
derivative liabilities	(Notional Amount)	Contract period	(Notional Amount)	Contract period
Current items :				
Forward exchange		2020.11.26~		2019.12.25~
contracts	USD 5,500	2021.2.4	USD 2,000	2020.2.7

The Group signed forward exchange and foreign exchange swaps to hedge foreign exchange risk from the prices of imports and exports; however, the Group did not apply hedge accounting.

(11) Other payables

	December 31, 2020	December 31, 2019
Accrued salaries	\$ 115,675	\$ 117,828
Payables for Employees' compensation and directors'	31,769	92,865
Payables on equipment	48,390	107,184
Payables for maintenance	25,182	24,495
Other payable overheads	79,856	84,615
Total	\$ 300,872	\$ 426,987

(12) Corporate bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Corporate bond payable	\$ 1,000,000	\$ 1,000,000
Discount on corporate bond payable	(21,356)	(36,501)
	978,644	963,499
Less: Current portion	(978,644)	-
	<u>\$ -</u>	<u>\$ 963,499</u>

A. Domestic conversion of corporate bonds issued by the Group

- (a) Issuance conditions for the first unsecured conversion of corporate bonds in the Group are as follows:

The Group is approved by the relevant authorities to raise and issue the first unsecured conversion company debt (referred to as "This conversion company debt"), the total issue of \$1,000,000 at the coupon rate of 0%, for an issuance period of 3 years, circulation period from November 13, 2019 to November 13, 2022. When this conversion company debt expires, it will be repaid in cash in the denomination of the bond. This conversion company debt has been listed for trading at the Securities Counter Trading Center as of November 13, 2019.

- (b) The corporate bonds held by the Group shall be converted into ordinary shares of the Group from three months after the bond issuance by the Group until the maturity date. The converted new shares have the same rights and obligations as the ordinary shares of the Group.
- (c) The conversion price of this conversion company debt shall be determined according to the pricing model stipulated in the conversion method, and the conversion price shall be adjusted in the event of the anti-dilution clause of the Group in accordance with the pricing model stipulated in the conversion method. The conversion price will be re-determined on the base date according to the pricing model stipulated in the conversion method.
- (d) Bondholders can require the company to buy back the conversion company bonds at 0.5001% interest compensation rate on the face value of the bonds after holding them over two years.
- (e) In the period of circulation from three months after the issuance of the convertible corporate bonds to thirty business days before the maturity of the bonds. If the closing price of the Company's common shares exceeds 30% of the current conversion price for 30 consecutive business days, the Company has rights to buy back all its bonds in cash at the face value of the bonds within thirty business days thereafter.
- (f) In the period of circulation from three months after the issuance of the convertible corporate bonds to thirty business days before the maturity of the bonds. If the closing price of the Company's common shares is lower 10% of the current conversion price for 30 consecutive business days, the Group has rights to buy back all its bonds in cash at the face value of the bonds any time thereafter.

- (g) According to the conversion method, all of the corporate bonds recovered (including those bought back from the Taipei Exchange), repaid, or converted shall be written off by the Group; and all rights and obligations that are attached to corporate bonds will also be reduced and will not be issued.
- B. When issuing convertible corporate bonds, the Group shall, in accordance with the provisions of international Accounting standard 32nd "Financial instruments: expression", separate the right of conversion of the nature of equity from the constituent elements of each liability, and account for the "capital reserve-equity" \$132,294. The other embedded buying and selling rights, according to IAS 9 "Financial instruments: recognition and measurement" provisions, because it is not closely related to the economic characteristics and risks of the main contract debt commodities, so it is separated and treated with its net account "financial liabilities-flows measured at fair value through profit and loss". The effective interest rate for the separation of COR contractual obligations is 1.56%.

(13) Long-term borrowings

<u>Nature of Loan</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Factory loan(Note1)	Repayment by installments throughout the agreed upon period from Apr. 25, 2019 to Apr. 25, 2022	Floating rate	Building	\$ 112,800
Factory loan	Repayment by installments throughout the agreed upon period from Dec. 8, 2017 to Jul, 24, 2035	Floating rate	Building	252,459
Medium-term secured loan(Note1)	Repayment by installments throughout the agreed upon period from Apr. 15, 2019 to Aug. 14, 2024	Floating rate	Machinery and equipment	62,000
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Jul. 15, 2020 to Dec. 15, 2027	Floating rate	Machinery and equipment	403,000
Medium-term secured loan(Note2)	Repayment by installments throughout the agreed upon period from Dec. 20, 2018 to Dec. 20, 2024	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	50,000
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Nov. 28, 2017 to Nov. 28, 2021	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	3,675
Medium-term secured loan(Note3)	Repayment by installments throughout the agreed upon period from Sep. 28, 2018 to Sep. 28, 2024	Floating rate	Guarantee of credit guaranteed fund	13,897
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Jun. 27, 2019 to Jun. 27, 2022	Floating rate	None	97,500
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Mar. 30, 2018 to May. 14, 2022	Fixed rate	None	7,363
				<u>1,002,694</u>
Less: Current portion				<u>(238,379)</u>
				<u>\$ 764,315</u>
Interest rate range				<u>0.55%~3.57%</u>

<u>Nature of Loan</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Factory loan(Note1)	Repayment by installments throughout the agreed upon period from Apr. 25, 2019 to Apr. 25, 2022	Floating rate	Building	\$ 188,000
Factory loan	Repayment by installments throughout the agreed upon period from Feb. 13, 2015 to Dec. 8, 2027	Floating rate	Building	231,386
Medium-term secured loan(Note1)	Repayment by installments throughout the agreed upon period from Apr. 15, 2019 to Aug. 14, 2024	Floating rate	Machinery and equipment	269,750
Medium-term secured loan(Note2)	Repayment by installments throughout the agreed upon period from Dec. 20, 2018 to Dec. 20, 2024	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	50,000
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Jul. 5, 2017 to Jul. 5, 2020	Floating rate	Machinery and equipment	12,000
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Nov. 28, 2017 to Nov. 28, 2020	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	5,775
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Sep. 28, 2018 to Sep. 28, 2023	Floating rate	Guarantee of credit guaranteed fund	15,253
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Jul. 12, 2018 to Jul. 8, 2022	Floating rate	None	225,000
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Mar. 30, 2018 to May. 14, 2022	Fixed rate	None	
				<u>22,644</u>
				<u>1,019,808</u>
Less: Current portion				<u>(366,572)</u>
				<u>\$ 653,236</u>
Interest rate range				<u>1.35%~3.57%</u>

Information about pledged to others as collateral is provided in Note 8.

Note1 : Accordance with the contractual arrangements, the group should maintained half years of designated net debt ratio and interest repayments ability within duration of loan.

Note2 : Accordance with the contractual arrangements sign by subsidiaries Phoenix Battery Corporation, the parent's ownership not be allowed less than 65% within duration of loan.

Note3 : The Group apply for capital repayment extend one year due to the new crown pneumonia epidemic impact on May. 2020, and get the banks approval and provide financial relief.

(14) Pension

A.

(a) The Group has a defined benefit pension plan in accordance with the Labor Standards

Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 39,555	\$ 39,226
Fair value of plan assets	(20,740)	(19,113)
Net defined benefit liability	<u>\$ 18,815</u>	<u>\$ 20,113</u>

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

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	\$ 39,226	(\$ 19,113)	\$ 20,113
Current service cost	91	-	91
Interest expense (income)	343	(171)	172
	<u>39,660</u>	<u>(19,284)</u>	<u>20,376</u>
Remeasurements:			
Return on plan assets (excluding the amounts included in interest income or expense)	-	(592)	(592)
Change in demographic assumptions	108	-	108
Change in financial assumptions	1,998	-	1,998
Experience adjustments	(2,211)	-	(2,211)
	<u>(105)</u>	<u>(592)</u>	<u>(697)</u>
Pension fund contribution	-	(864)	(864)
December 31	<u>\$ 39,555</u>	<u>(\$ 20,740)</u>	<u>\$ 18,815</u>

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	\$ 34,347	(\$ 18,318)	\$ 16,029
Current service cost	88	-	88
Interest (expense) income	472	(257)	215
	<u>34,907</u>	<u>(18,575)</u>	<u>16,332</u>
Remeasurements:			
Return on plan assets (excluding the amounts included in interest income or expense)	-	(617)	(617)
Change in demographic assumptions	948	-	948
Change in financial assumptions	2,709	-	2,709
Experience adjustments	1,570	-	1,570
	<u>5,227</u>	<u>(617)</u>	<u>4,610</u>
Pension fund contribution	-	(829)	(829)
Paid pension	(908)	908	-
December 31	<u>\$ 39,226</u>	<u>(\$ 19,113)</u>	<u>\$ 20,113</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the fund's annual investment and Remeasurements: plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2020	2019
Discount rate	0.500%	0.875%
Future salary increases	3.500%	3.500%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary

Experience Mortality Table for the years ended December 31, 2020 and 2019.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 1,348)</u>	<u>\$ 1,413</u>	<u>\$ 1,350</u>	<u>(\$ 1,296)</u>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 1,399)</u>	<u>\$ 1,468</u>	<u>\$ 1,409</u>	<u>(\$ 1,350)</u>

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$871.
- (g) As of December 31, 2020, the weighted average duration of that retirement plan is 13.8 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	210
1~2 years		938
2~5 years		8,677
5~10 years		4,354
	<u>\$</u>	<u>14,179</u>

B.

- (a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$28,988 and \$26,380 respectively.

(15) Provision

	<u>Warranty</u>	<u>Decommissioning liabilities</u>	<u>Total</u>
<u>2020</u>			
January 1	\$ 949	\$ 20,665	\$ 21,614
Reversal unuse of provisions	(363)	-	(363)
Discounting of amortization	-	1,132	1,132
December 31	<u>\$ 586</u>	<u>\$ 21,797</u>	<u>\$ 22,383</u>

The analysis of provisions was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current	<u>\$ 22,383</u>	<u>\$ 21,615</u>

A. warranty

The Group's provision of warranty based on the historical warranty information of the product mainly related to energy division products selling.

B. Decommissioning liabilities

In accordance with the applicable agreements or the law/regulation requirement, the Group bears dismantling, removing the asset and restoring the site obligations for certain base stations in the future. Provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. The Group expects those liabilities will occur in the next 2 to 20 years.

(16) Share capital

As of December 31, 2020, the Group's authorized capital was \$2,000,000, consisting of 200,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,324,080 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The beginning balance and closing balance of the number of the Group's ordinary shares outstanding of the period remain the same as in previous two periods.

	<u>2020</u>	<u>2019</u>
January 1/December 31	<u>132,408,000</u>	<u>132,408,000</u>

Unit : share

(17) Capital surplus

Pursuant to the R.O.C. Group Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Group has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2020		
	Share Premium	Long-term investment	Stock Option
January 1/December 31	\$ 486,616	\$ 15,858	\$ 132,294
	2019		
	Share Premium	Long-term investment	Stock Option
January 1	\$ 486,616	\$ 15,858	\$ -
Corporate bond conversion	-	-	132,294
December 31	\$ 486,616	\$ 15,858	\$ 132,294

(18) Retained earnings

	2020	2019
Equity at beginning of period after adjustments	478,422	361,868
Current profit	134,553	332,095
Earnings distribution	(264,816)	(211,853)
Remeasurement on post employment benefit obligations, net of tax	558	3,688
December 31	\$ 348,717	\$ 478,422

- A. According to the Group's Articles of Association, if there is a surplus in the annual final accounts, it should first make up for the losses, pay taxes, and deposit 10% as the statutory surplus reserve. However, the statutory surplus reserve is not included in the total capital. The Group shall provide or revolve special surplus reserves as needed. The balance plus the previously undistributed surplus is the distributable surplus. Depending on the Group's operating conditions, the Board of Directors shall make the shareholder's dividend and dividend distribution proposal, and submit the proposal to the shareholders' meeting for resolution.
- B. When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 10% of the earnings available for distribution. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50 percent of the total dividends.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.
- D. In accordance with the regulations, the Group shall set aside special reserve from the debit

balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriation of 2019 and 2018 earnings had been resolved at the stockholders' meeting on May 25, 2020 and May 24, 2019, respectively. Details are summarized below:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 32,841	\$ -	\$ 23,263	\$ -
Cash dividends	264,816	2.00	211,853	1.60
Total	<u>\$ 297,657</u>	<u>\$ 2.00</u>	<u>\$ 235,116</u>	<u>\$ 1.60</u>

(19) Operating revenue

	2020	2019
Revenue from contracts with customers	<u>\$ 2,442,176</u>	<u>\$ 2,649,059</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

<u>Year ended December 31, 2020</u>	<u>Wafer service</u>	<u>Battery</u>	<u>Total</u>
Segment revenue	\$ 2,272,675	\$ 174,781	\$ 2,447,456
Revenue from internal segment trading	(5,090)	(190)	(5,280)
Revenue from external customer contracts	<u>\$ 2,267,585</u>	<u>\$ 174,591</u>	<u>\$ 2,442,176</u>
Timing of revenue recognition			
At a point in time	\$ 115,350	\$ 174,591	\$ 289,941
Over time	2,152,235	-	2,152,235
	<u>\$ 2,267,585</u>	<u>\$ 174,591</u>	<u>\$ 2,442,176</u>
<u>Year ended December 31, 2019</u>	<u>Wafer service</u>	<u>Battery</u>	<u>Total</u>
Segment revenue	\$ 2,460,118	\$ 194,571	\$ 2,654,689
Revenue from internal segment trading	-	(5,630)	(5,630)
Revenue from external customer contracts	<u>\$ 2,460,118</u>	<u>\$ 188,941</u>	<u>\$ 2,649,059</u>
Timing of revenue recognition			
At a point in time	\$ 90,568	\$ 188,941	\$ 279,509
Over time	2,369,550	-	2,369,550
	<u>\$ 2,460,118</u>	<u>\$ 188,941</u>	<u>\$ 2,649,059</u>

B. Contract assets and contract liabilities

The customer related contractual assets and liabilities recognized by the Group are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract Assets	<u>\$ 128,884</u>	<u>\$ 171,059</u>	<u>\$ 83,876</u>
Contract liabilities – unearned sales revenue	<u>\$ 32,642</u>	<u>\$ 12,988</u>	<u>\$ 360</u>

	<u>2020</u>	<u>2019</u>
Initial contract liabilities and recognized income in the current period	<u>\$ 6,019</u>	<u>\$ -</u>

(20) Interest income

	<u>2020</u>	<u>2019</u>
Bank deposit interest	\$ 2,976	\$ 3,518
Financial assets at amortized cost interest	128	-
Other interest revenue	8	8
	<u>\$ 3,112</u>	<u>\$ 3,526</u>

(21) Other incomes

	<u>2020</u>	<u>2019</u>
Rent revenue	1,146	788
Default revenue	40,671	-
Other revenue - other	13,010	582
	<u>\$ 54,827</u>	<u>\$ 1,370</u>

(22) Other benefits and losses

	<u>2020</u>	<u>2019</u>
Profit on disposal of property, plant, and equipment	\$ 3,718	\$ 83
Loss on foreign exchange	(19,363)	(6,437)
Net profits from financial assets (liabilities) measured at fair value through profits (losses)	4,800	692
Loss on impairment of property, plant, and equipment	(2,143)	-
Loss on impairment of intangible assets	(541)	-
Other benefits and losses	6,859	6,548
	<u>(\$ 6,670)</u>	<u>\$ 886</u>

(23) Financial costs

	<u>2020</u>	<u>2019</u>
Bank loans	\$ 12,585	\$ 13,595
Corporate bond payable	15,145	1,978
Lease liabilities	4,124	3,684
Provisions - Discounted amortization	1,132	1,133
	<u>\$ 32,986</u>	<u>\$ 20,390</u>

(24) Additional information on the nature of the expenses

	<u>2020</u>	<u>2019</u>
Employee benefit expense	\$ 769,324	\$ 800,589
Property, plant, and equipment Depreciation expense	477,189	372,095
Intangible asset amortization cost	17,972	14,602

(25) Employee benefit expenses

	<u>2020</u>	<u>2019</u>
Salary expenses	\$ 638,966	\$ 677,070
Labor and health insurance expenses	58,935	57,587
Pension expenses	29,251	26,683
Other labor expenses	42,172	39,249
	<u>\$ 769,324</u>	<u>\$ 800,589</u>

A. According to the Group's Articles of Association, if the group makes a profit, it will pay 10%~15% of the employee's compensation and 2% as remuneration for Directors according to the profit status of the current year.

B. The estimated amount of compensations for employees in 2020 and 2019 were \$12,860 and \$77,951, respectively. The estimated amount of remunerations for the Directors were \$2,572 and \$10,393, respectively. The aforesaid amount is accounted for in the salary expense account. 10% and 2% were estimated in 2020 according to the profitability of the year.

For the year of 2019, employees' compensation and directors' remuneration recognized were consistent with the amounts resolved in the Board of Directors' meetings

Information on the compensations for employees as well as remunerations for Directors which were approved by the Board of Directors of the Group can be obtained from the Market Observation Post System (MOPS).

(26) Income tax

A. Income tax expenses

(a) Income tax expense components

	<u>2020</u>	<u>2019</u>
Current income tax:		
Income tax generated by current income:	\$ 17,081	\$ 95,325
Surtax on unappropriated retained earnings	1,537	1,814
Evaluated based on the (excess) Shortfall from the previous annual Income tax	<u>(36,176)</u>	<u>5,180</u>
Total current income tax	<u>(17,558)</u>	<u>102,319</u>
Deferred income tax:		
The original generation and rotation of temporary difference	<u>(3,825)</u>	<u>(3,087)</u>
Total deferred tax	<u>(3,825)</u>	<u>(3,087)</u>
Income tax expenses	<u>\$ 21,383</u>	<u>\$ 99,232</u>

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

	<u>2020</u>	<u>2019</u>
Remeasurement of defined benefit obligations	<u>\$ 139</u>	<u>(\$ 922)</u>

(c) Income tax on direct debit or credit interest: None.

B. Income tax expenses and relationship to accounting profit

	<u>2020</u>	<u>2019</u>
Income tax calculated based on Profit		
Before Tax and the Statutory Rate	\$ 9,300	\$ 75,688
Tax exemption under the tax law	9,177	7,878
Tax exempted (income) expenses by tax regulation	(1,145)	-
Temporary differences not recognised as deferred tax assets	2,064	(1,358)
Taxable loss not recognised as deferred tax assets	12,415	11,844
Evaluated based on the (excess) shortfall from the previous annual income tax	(36,176)	5,180
Impact of investment tax credits	(18,555)	(1,814)
Surtax on unappropriated retained earnings	<u>1,537</u>	<u>1,814</u>
Income tax expenses	<u>\$ 21,383</u>	<u>\$ 99,232</u>

C. The amounts of deferred tax assets or liabilities resulting from temporary differences and investment tax credits are as follows:

2020				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Other comprehensive net income</u>	<u>December 31</u>
Temporary difference:				
-Deferred tax assets :				
Inventory loss from falling price	\$ 6,806	\$ 671	\$ -	\$ 7,477
Discount on corporate bond payable	396	3,029	-	3,425
Unused compensated absences payable	653	64	-	717
Long-term service award	2,008	296	-	2,304
Decommissioning liabilities	2,487	205	-	2,692
Pension	4,023	(120)	(139)	3,764
Unrealized gain or loss on financial instrument	(212)	285	-	73
Unrealized exchange losses	<u>382</u>	<u>(605)</u>	<u>-</u>	<u>(223)</u>
Total	<u>\$ 16,543</u>	<u>\$ 3,825</u>	<u>(\$ 139)</u>	<u>\$ 20,229</u>

2019				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Other comprehensive net income</u>	<u>December 31</u>
Temporary difference:				
-Deferred tax assets :				
Inventory loss from falling price	\$ 4,676	\$ 2,130	\$ -	\$ 6,806
Discount on corporate bond payable	-	396	-	396
Unused compensated absences payable	703	(50)	-	653
Long-term service award	1,547	461	-	2,008
Decommissioning liabilities	2,282	205	-	2,487
Pension	3,206	(105)	922	4,023
Unrealized gain or loss on financial instrument	2	(214)	-	(212)
Unrealized exchange losses	<u>118</u>	<u>264</u>	<u>-</u>	<u>382</u>
Total	<u>\$ 12,534</u>	<u>\$ 3,087</u>	<u>\$ 922</u>	<u>\$ 16,543</u>

D. The subsidiaries Phoenix Battery Corporation's relevant amount of validity period of unused loss on tax and no deferred income tax assets is as follows:

December 31, 2020				
<u>Year</u>	<u>Declared amount or examined amount</u>	<u>Not yet tax credits amount</u>	<u>Amount of no deferred tax asset</u>	<u>Last deduction year</u>
2017	Declared amount	\$ 43,243	\$ 43,243	2027
2018	Declared amount	150,289	150,289	2028
2019	Declared amount	44,286	44,286	2029
2020	Declared amount	62,077	62,077	2030

December 31, 2019				
<u>Year</u>	<u>Declared amount or examined amount</u>	<u>Not yet tax credits amount</u>	<u>Amount of no deferred tax asset</u>	<u>Last deduction year</u>
2017	Declared amount	\$ 43,243	\$ 43,243	2027
2018	Declared amount	150,289	150,289	2028
2019	Declared amount	44,286	44,286	2029

E. The investment operating loss carryforward and deductible temporary differences for which no deferred income tax assets have been recognized:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
The investment operating loss carryforward and deductible temporary differences	\$ 97,352	\$ 87,030

F. The Group's for-profit business income tax has been approved by the Revenue Service Office until 2018.

(27) Earnings per share

	2020		
	<u>After-tax Amount</u>	<u>Shares Outstanding (1,000 shares)</u>	<u>Earnings Per Share (NTD)</u>
<u>Basic earnings per share</u>			
Net profit attributable to the ordinary shareholders in the current period	\$ 134,553	132,408	\$ 1.02
<u>Diluted earnings per share</u>			
Net profit attributable to the ordinary shareholders in the current period	\$ 134,553	132,408	
Impact of potential common stocks with dilutive effects			
Convertible corporate bond	12,036	13,587	
Employee remuneration	-	401	
Net current profit of the ordinary	\$ 146,589	146,396	\$ 1.00

	2019		
	After-tax Amount	Shares Outstanding (1,000 shares)	Earnings Per Share (NTD)
<u>Basic earnings per share</u>			
Net profit attributable to the ordinary shareholders in the current period	\$ 332,095	132,408	\$ 2.51
<u>Diluted earnings per share</u>			
Net profit attributable to the ordinary shareholders in the current period	\$ 332,095	132,408	
Impact of potential common stocks with dilutive effects			
Convertible corporate bond	1,663	1,764	
Employee remuneration	-	1,242	
Net current profit of the ordinary shareholders and the impact of potential ordinary shares	\$ 333,758	135,414	\$ 2.46

(28) Supplemental cash flow information

Partial cash paid for investing activities:

	2020	2019
Purchase of property, plant and equipment	\$ 899,641	\$ 1,215,133
Add : Beginning balance of payable on equipment	107,184	43,193
Add : Ending balance of prepayments for equipment	87,052	103,243
Less : Ending balance of payable on equipment	(48,390)	(107,184)
Less : Ending balance of prepayments for equipment	(103,243)	(157,570)
Less : Default income asset deduction	(28,912)	-
Cash paid during the year	\$ 913,332	\$ 1,096,815

(29) Changes in liabilities from financing activities

	2020					Liabilities from
	Short-term loans	Corporate bond payable	Long-term loans	Lease liabilities	Guarantee deposits received	financing activities gross
January 1, 2020	\$ 36,346	\$ 963,499	\$ 1,019,808	\$ 225,795	\$ 888	\$ 2,246,336
Changes in cash flow from financing activities	(6,346)	-	(17,114)	(14,525)	144	(37,841)
Interest payments on lease liabilities	-	-	-	(4,124)	-	(4,124)
Amortization of interest expenses on lease liabilities	-	-	-	4,124	-	4,124
Amounts of new lease liabilities	-	-	-	37,675	-	37,675
Amortization of interest expenses payable on corporate bonds	-	15,145	-	-	-	15,145
December 31	\$30,000	\$ 978,644	\$ 1,002,694	\$248,945	\$ 1,032	\$ 2,261,315

	2019					
	Short-term loans	Corporate bond payable	Long-term loans	Lease liabilities	Guarantee deposits received	Liabilities from financing activities gross
January 1, 2019	\$20,000	\$ -	\$ 523,343	\$ 235,598	\$ 516	\$ 779,457
Changes in cash flow from financing activities	16,346	1,094,015	496,465	(12,995)	372	1,594,203
Interest payments on lease liabilities	-	-	-	(3,684)	-	(3,684)
Amortization of interest expenses on lease liabilities	-	-	-	3,684	-	3,684
Amounts of new lease liabilities	-	-	-	3,192	-	3,192
Amortization of interest expenses payable on corporate bonds	-	1,978	-	-	-	1,978
Convertible bonds Call and put options	-	(200)	-	-	-	-
Convertible bonds Stock options	-	(132,294)	-	-	-	(132,294)
December 31	<u>\$36,346</u>	<u>\$ 963,499</u>	<u>\$ 1,019,808</u>	<u>\$225,795</u>	<u>\$ 888</u>	<u>\$ 2,246,536</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
All directors, general manager and deputy general manager	The Company key management

(2) Significant related party transactions and balances

None.

(3) Key management compensation

	2020	2019
Short-term employee benefits	\$ 28,438	\$ 47,682
Post-employment benefits	1,070	988
	<u>\$ 29,508</u>	<u>\$ 48,670</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purposes
	December 31, 2020	December 31, 2019	
Time deposits (shown in non-current or other current financial assets at amortised cost)	\$ 2,000	\$ 2,000	Customs duty guarantee
Time deposits (shown in non-current or other current financial assets at amortised cost)	10,417	8,794	Guarantee for leasing land and office in Science Park
Reserve account (shown in non-current or other current financial assets at amortised cost)	3,000	3,000	Short-term borrowings
Building	954,223	853,552	Long-term borrowings
Equipment (including construction in progress)	371,093	631,078	Long-term borrowings
	<u>\$ 1,340,733</u>	<u>\$ 1,498,424</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

At May 7, 2018, plant on Zhonghua Road in Hsinchu City own by Group's subsidiaries Phoenix Battery Corporation (the "Battery"), occur the fire accident is provided in Note 10.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 356,550	\$ 960,384

B. Operating lease commitments

Please refer to Note 6 and (7).

C. As of December 31, 2020 and 2019, the Group has issued unused letters of credit for imported equipment and inventory of approximately \$ 7,400 and \$ 1,996.

10. SIGNIFICANT DISASTER LOSS

The Group's subsidiaries Phoenix Battery Corporation (the "Battery") owns plant on Zhonghua Road in Hsinchu City mainly supply battery cell production, occur fire accident on May 7, 2018. The accident cause damage to part of plants, equipment and inventory. As to December 31, 2020, loss of the fire accident estimated \$ 111,811 (including loss of Equipment and inventories \$29,296 and \$53,233, actual expense of repair after disaster \$11,953 and estimated loss of the lessor claim on the reinforcement of the building \$17,329 (Due to the mediation is not established, the trial is currently being transferred to the Hsinchu District Court)). As to December 31, 2020, the Battery had insured relate property insurance and got claim \$113,773 from insurance agent, relevant other (profit) and loss (\$18,368), \$11,629 and \$8,701 are recognized in 2018, 2019 and 2020 respectively, listed under other benefits and losses. Since claims involve disaster identification, as of the reporting date, the insurance claim

amount cannot be fully confirmed. The relevant claim income will be recognized in subsequent years until the amount can be reasonably estimated.

The fire accident mentioned above was also affect other users in same building additionally, so part of users and owners and the management committee propose compensation of the damages. As of December 31, 2020, the net compensation for losses is \$5,400, relevant other loss \$0, \$3,882 and \$1,518 are recognized in 2018, 2019 and 2020 respectively, listed under other benefits and losses. The Battery has insured related commercial comprehensive liability insurance with an insured amount of one million US dollars. As of December 31, 2020, the Battery had all settled.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as equity as shown in the separate balance sheet plus total borrowings.

During the year ended December 31, 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio at a reasonable level of risk. The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total borrowings	\$ 2,011,338	\$ 2,019,653
Less: : Cash and Cash Equivalents	<u>(1,140,746)</u>	<u>(1,811,396)</u>
Net debt	870,592	208,257
Total equity	<u>2,323,896</u>	<u>2,472,596</u>
Total capital	<u>\$ 3,194,488</u>	<u>\$ 2,680,853</u>
Gearing ratio	27.25%	7.77%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 595</u>	<u>\$ 1,327</u>
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 1,140,3746	\$ 1,811,396
Financial assets measured at amortized cost	15,917	-
Notes receivable	100	156
Accounts receivable	359,570	354,606
Other receivables	2,020	24,644
Guarantee deposits paid	7,882	3,928
Other financial assets	-	13,794
	<u>\$ 1,526,235</u>	<u>\$ 2,208,524</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	<u>\$ 1,258</u>	<u>\$ 465</u>
Financial liabilities at amortised cost		
Short-term borrowings	\$ 30,000	\$ 36,346
Accounts payable	149,408	142,827
Other payables	300,872	426,987
Corporate bonds payable	978,644	963,499
Long-term borrowings (Include Current)	1,002,694	1,019,808
Guarantee deposits received	<u>1,032</u>	<u>888</u>
	<u>\$ 2,462,650</u>	<u>\$ 2,590,355</u>
Guarantee deposits received (Include Current)	<u>\$ 248,945</u>	<u>\$ 255,795</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross derivative instruments to hedging purposes, and not for trading or speculation.
- (b) Risk management is carried out by a treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of

derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. Management has set up a policy to require the Group to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- II. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2) and 6(10).
- III. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				December 31, 2020	
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	\$	15,163	28.48	\$	431,839
JPY: NTD		208,579	0.2767		57,703
<u>Non-monetary items : None.</u>					
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	\$	1,570	28.48	\$	44,707
JPY: NTD		4,704	0.2767		1,302
<u>Non-monetary items : None.</u>					

December 31, 2019			
	Foreign currency amount		Book value (NTD)
	(In thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 15,518	30.08	\$ 466,768
JPY: NTD	184,395	0.2772	51,105
<u>Non-monetary items :</u>			
<u>None.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 2,906	30.08	\$ 87,404
JPY: NTD	60,988	0.2772	16,903
<u>Non-monetary items :</u>			
<u>None.</u>			

- IV. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$19,363 and \$6,437, respectively.
- V. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 4,318	\$ -
JPY: NTD	1%	577	-
<u>Non-monetary items:</u>			
<u>None.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 447)	\$ -
JPY: NTD	1%	(13)	-
<u>Non-monetary items:</u>			
<u>None.</u>			

		2019		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	4,668	\$ -
JPY: NTD	1%		511	-
<u>Non-monetary items: None.</u>				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	874)	\$ -
JPY: NTD	1%	(169)	-
<u>Non-monetary items: None.</u>				

Cash flow and fair value interest rate risk

- I. The Group's interest rate risk mainly arises from short-term loans and long-term loans issued at floating rates, which exposes the Group to cash flow interest rate risk. In 2020 and 2019, the Group's loans issued at floating rates are mainly valued in NTD. The long-term fixed-rate corporate bonds issued by the Group have no interest rate risk and fair value interest rate risk.
- II. The Group's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contract. Therefore, the Group is exposed to the risk of future market interest rate changes.
- III. For the years ended December 31, 2020 and 2019, it is estimated that a general increase or decrease of 0.25% in interest rates, with all other variables held constant, would decrease or increase the Group's profit before tax approximately by \$2,581 and \$2,640, respectively, mainly due to the Group's floating rate on bank loans.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- II. The Group regularly monitors and inspects the trading customer's credit limit based on its credit status and the market conditions, and would make adjustments in real time to manage credit risk. The Group only deals with banks and financial institutions with good credit ratings, so it is not expected to suffer credit risk as a result.

- III. The Group manages their credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are granted by the board of directors based on internal or external ratings, and the usages of credit lines is monitored regularly.
- IV. The Group's acknowledgement of the contract as a situation of default is as follows: When the contract amount is expected to be uncollectible and it is necessary to transfer it to overdue receivable, it is deemed that a default has occurred.
- V. The Group classifies customers' accounts receivable, contract asset and right-of-use asset in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- VI. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- i. It becomes probable that the issuer will enter bankruptcy or other financial difficulties ;
 - ii. The disappearance of an active market for that financial asset because of financial difficulties ;
 - iii. Default or delinquency in interest or principal repayments.
- VII. The Group used the forecastability of consideration to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable, contract asset, other receivables of allowance loss.

On December 31, 2020 and 2019, the loss rate is as follows:

	Not past due and up to 90 days <u>past due</u>	91-180 days <u>past due</u>	181-270 days <u>past due</u>	271-360 days <u>past due</u>	361 days <u>past due</u>	<u>Total</u>
<u>December 31, 2020</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 490,473	\$ -	\$ -	\$ 405	\$ -	\$ 490,878
Loss allowance	\$ -	\$ -	\$ -	\$ 304	\$ -	\$ 304

	Not past due and up to 90 days past due	91-180 days past due	181-270 days past due	271-360 days past due	361 days past due	Total
<u>December 31, 2019</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 550,325	\$ 187	\$ -	\$ -	\$ -	\$ 550,512
Loss allowance	\$ -	\$ 47	\$ -	\$ -	\$ -	\$ 47

VIII. Movements in relation to the Group applying the modified approach to provide notes receivable, accounts receivable, contract asset, other receivable, and other receivables of allowance loss as follows:

	2020			
	notes receivable	accounts receivable	contract asset	other receivable
January 1	\$ -	\$ 47	\$ -	\$ -
impairment loss	-	304	-	-
write off	-	(47)	-	-
December 31	\$ -	\$ 304	\$ -	\$ -
	2019			
	notes receivable	accounts receivable	contract asset	other receivable
January 1	\$ -	\$ -	\$ -	\$ -
impairment loss	-	47	-	-
December 31	\$ -	\$ 47	\$ -	\$ -

(c) Liquidity risk

- I. Cash flow forecasting is performed by individual operating entities within the Group and is aggregated by the Group's Finance Department. The Group's Finance Department shall monitor and forecast the Group's liquidity needs, ensure sufficient funds to meet operational needs, maintain sufficient unencumbered loan commitments at all times so the Group does not violate the relevant loan limits or terms. Such forecasts must take into account the Group's debt financing plans, debt obligations, compliance with the internal balance sheet's financial ratio targets.
- II. Surplus cash over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, money market deposits and marketable securities. The chosen instruments have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2020 and 2019, the Group held money market positions of \$ 1,138,880 and \$ 1,809,552, other current assets of \$ 3,500 and \$ 3,500 and other non-current assets of \$ 12,417 and \$ 10,794 respectively. It is expected to generate cash flow immediately to manage liquidity risk.
- III. The Group's unused loan amounts are detailed as follows :

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Floating rate		
Due within 1 Year	\$ 1,462,116	\$ 920,854
Due over 1 Year	1,218,800	3,000
Fixed Interest Rate		
Due within 1 Year	-	-
Due over 1 Year	-	-
	<u>\$ 2,680,916</u>	<u>\$ 923,854</u>

IV. The following table reflects the non-derivative financial liabilities of the Group and the derivative financial liabilities delivered in net or total amount grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

<u>December 31, 2020</u>	<u>6 Months or Less</u>	<u>6 Months to 1 Year</u>	<u>Within 1 to 2 Years</u>	<u>2 Years or Above</u>
<u>Non-derivative financial liabilities:</u>				
Short-term Loans	\$ 30,000	\$ -	\$ -	\$ -
Accounts payable	149,408	-	-	-
Other payable	150,889	120	-	-
Lease liabilities	9,115	9,126	17,768	268,038
Corporate bonds payable	-	1,000,000	-	-
Long-term Loans (Due within One Year or One Business Cycle)	129,290	117,194	123,634	662,907
Guarantee deposits received	-	-	910	122
<u>Derivative financial liabilities :</u>				
Forward exchange contracts	1,058	-	-	-
Convertible bonds				
Call and put options	200	-	-	-

December 31, 2019	<u>6 Months or Less</u>	<u>6 Months to 1 Year</u>	<u>Within 1 to 2 Years</u>	<u>2 Years or Above</u>
<u>Non-derivative financial liabilities:</u>				
Short-term Loans	\$ 36,346	\$ -	\$ -	\$ -
Accounts payable	142,827	-	-	-
Other payable	216,653	2,356	-	-
Lease liabilities	8,553	8,564	16,654	239,937
Corporate bonds payable	-	-	-	1,000,000
Long-term Loans (Due within One Year or One Business Cycle)	195,286	183,891	321,212	347,036
Guarantee deposits received	-	-	766	122
<u>Derivative financial liabilities :</u>				
Forward exchange contracts	165	-	-	-
Convertible bonds				
Call and put options	300	-	-	-

(d) New crown pneumonia epidemic impact on the Group's operations

The Group has assessed relevant operating and financial information, the novel coronavirus pneumonia epidemic has no significant impact on the Group's ability to continue operations, asset impairment and financing risks.

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

(a) The related information of nature of the assets is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss-current				
Forward exchange contracts	\$ -	\$ 595	\$ -	\$ 595
Liabilities				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss-current				
Forward exchange contracts	\$ -	\$ 1,058	\$ -	\$ 1,058
Convertible bonds				
Call and put options	-	-	200	200
	<u>\$ -</u>	<u>\$ 1,058</u>	<u>\$ 200</u>	<u>\$ 1,258</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss-current				
Forward exchange contracts	\$ -	\$ 1,327	\$ -	\$ 1,327
Liabilities				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss-current				
Forward exchange contracts	\$ -	\$ 165	\$ -	\$ 165
Convertible bonds	-	-	300	300
Call and put options	-	-	-	-
	<u>\$ -</u>	<u>\$ 165</u>	<u>\$ 300</u>	<u>\$ 465</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- I. The fair value of the Group's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- II. Forward foreign exchange contracts are usually evaluated based on current forward exchange rates.

C. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and

Level 2.

D. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019.

	2020	2019
	Convertible corporate bonds	Convertible corporate bonds
January 1	\$ 300	\$ -
Gains or losses recognized in profits or losses		
Non-operating income and expenses	(100)	100
Current issuance	-	200
December 31	<u>\$ 200</u>	<u>\$ 300</u>
Changes in unrealized gains or losses included in profit or loss held in assets and liabilities at the end of the period (Note 1)	<u>(\$ 100)</u>	<u>\$ 100</u>

Note1 : Non-operating income and expenses

E. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

F. The Group engaged an external appraiser to perform the fair value measurements being categorized within Level 3, and the financial unit is in charge of valuation procedures to independently verify the fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable Input	Range (weighted average)	Relationship of inputs to fair Value
Convertible bonds Call and put options	\$ 200	Binomial Model	Volatility	45.77%	The higher the stock price volatility, the higher the fair value
	Fair value at December 31, 2019	Valuation technique	Significant unobservable Input	Range (weighted average)	Relationship of inputs to fair Value
Convertible bonds Call and put options	\$ 300	Binomial Model	Volatility	40.76%	The higher the stock price volatility, the higher the fair value

H. The Group has carefully evaluated and selected the evaluation model and evaluation parameters. However, the use of different evaluation models or parameters may result in different evaluation

results. For financial assets and financial liabilities classified as third level, if the evaluation parameters change, the impact on the current profit or loss and other comprehensive profits and losses are as follows:

		December 31, 2020				
		<u>Recognized in profit or loss</u>		<u>Recognized as other comprehensive profit or loss</u>		
	<u>Input Value</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial liabilities						
Convertible bonds call and put options	Volatility	±5%	\$ 30	(20)	\$ -	\$ -
		December 31, 2019				
		<u>Recognized in profit or loss</u>		<u>Recognized as other comprehensive profit or loss</u>		
	<u>Input Value</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial liabilities						
Convertible bonds call and put options	Volatility	±5%	\$ 70	(40)	\$ -	\$ -

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others : None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital: None.
- F. Sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in during the reporting periods: The Group signed a forward foreign exchange contract to buy Taiwan dollars to sell US dollars in 2020 with financial institutions. The purpose of this contract is financial hedging. The Group's net loss from engaging in forward foreign exchange contracts in 2020 was approximately \$6,324.
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 2.

(3) Information on investments in Mainland China

None.

(4) Information on main shareholders

Information of main shareholders: Please refer to Table 3.

14. SEGMENT INFORMATION

(1) General information

The Group's management has identified the reportable departments based on information used by board of directors in making decisions. The reportable departments were strategic institution that provide different products and services, each institution should manage respectively of its distinct technologies and marketing strategies. The Group have two reportable departments: Silicon division and Energy division.

(2) Measurement of segment information

The board of directors of the Group assesses the performance of individual operating departments based on the after-tax profit and loss of individual strategic business units. This measurement standard is the same as the summary of important accounting policies described in Note 4.

(3) Information about segment profit or loss, assets and liabilities

Information of reportable department provided to the Chief Operating Decision-Maker:

<u>Year ended December 31, 2020</u>	<u>Silicon division</u>	<u>Energy division</u>	<u>Total</u>
Revenue from external	\$ 2,272,675	\$ 174,781	\$ 2,447,456
Inter-segment revenue	(5,090)	(190)	(5,280)
Inter-segment revenue	<u>\$ 2,267,585</u>	<u>\$ 174,591</u>	<u>\$ 2,442,176</u>
Segment income	<u>\$ 178,038</u>	<u>(\$ 62,480)</u>	<u>\$ 115,558</u>
Segment income item :			
Interest income	<u>\$ 3,088</u>	<u>\$ 24</u>	<u>\$ 3,112</u>
Interest expense	<u>\$ 29,919</u>	<u>\$ 3,067</u>	<u>\$ 32,986</u>
Depreciation and Amortisation	<u>\$ 459,270</u>	<u>\$ 35,891</u>	<u>\$ 495,161</u>
The tax expense	<u>(\$ 21,383)</u>	<u>\$ -</u>	<u>(\$ 21,383)</u>
Total segment assets	<u>\$ 4,845,630</u>	<u>\$ 277,699</u>	<u>\$ 5,123,329</u>
Increase in other non-current assets (Not included Financial instruments and deferred tax assets)	<u>\$ 467,523</u>	<u>(\$ 31,585)</u>	<u>\$ 435,938</u>
Total segment liabilities	<u>\$ 2,579,758</u>	<u>\$ 219,675</u>	<u>\$ 2,799,433</u>

<u>Year ended December 31, 2019</u>	<u>Silicon division</u>	<u>Energy division</u>	<u>Total</u>
Revenue from external	\$ 2,460,118	\$ 194,571	\$ 2,654,689
Inter-segment revenue	-	(5,630)	(5,630)
Inter-segment revenue	<u>\$ 2,460,118</u>	<u>\$ 188,941</u>	<u>\$ 2,649,059</u>
Segment income	<u>\$ 366,675</u>	<u>(\$ 49,647)</u>	<u>\$ 317,028</u>
Segment income item :			
Interest income	<u>\$ 3,430</u>	<u>\$ 96</u>	<u>\$ 3,526</u>
Interest expense	<u>\$ 16,586</u>	<u>\$ 3,804</u>	<u>\$ 20,390</u>
Depreciation and Amortisation	<u>\$ 357,693</u>	<u>\$ 29,004</u>	<u>\$ 386,697</u>
The tax expense	<u>\$ 99,232</u>	<u>\$ -</u>	<u>\$ 99,232</u>
Total segment assets	<u>\$ 5,061,385</u>	<u>\$ 345,788</u>	<u>\$ 5,407,173</u>
Increase in other non-current assets (Not included Financial instruments and deferred tax assets)	<u>\$ 983,450</u>	<u>\$ 41,354</u>	<u>\$ 1,024,804</u>
Total segment liabilities	<u>\$ 2,714,422</u>	<u>\$ 220,155</u>	<u>\$ 2,934,577</u>

(4) Reconciliation for segment income (loss). assets and liabilities

The external revenue measured in a consistent manner with the income in the consolidated statement of profit or loss is reported to the Chief Operating Decision-Maker.

(5) Information on product and services

Please refer to Note 6(19).

(6) Geographical information

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

	<u>2020</u>		<u>2019</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 2,078,547	\$ 3,181,369	\$ 2,241,358	\$ 2,749,385
Others	<u>363,629</u>	<u>-</u>	<u>407,3701</u>	<u>-</u>
	<u>\$ 2,442,176</u>	<u>\$ 3,181,369</u>	<u>\$ 2,649,059</u>	<u>\$ 2,749,385</u>

(7) Major customer information

The income from the largest Customer-A and Customer-B is \$1,178,508 and \$233,249 respectively of Group's revenue \$2,442,176 in 2020. None of other single customer's income reach the Group's total revenue 10% above.

The income from the largest Customer-A and Customer-B is \$992,981 and \$488,005 respectively of Group's revenue \$2,649,059 in 2019. None of other single customer's income reach the Group's total revenue 10% above.