

Hu Lane Associate Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” 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. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HU LANE ASSOCIATE INC.

By

March 26, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hu Lane Associate Inc.

Opinion

We have audited the accompanying consolidated financial statements of Hu Lane Associate Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 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. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Occurrence of Revenue

For the year ended December 31, 2020, the consolidated operating revenue amounted to NT\$3,653,272 thousand. The operating revenue derived from some major customers amounted to NT\$718,103 thousand. Since some single customers contributed more to the Group's operating revenue and there was material change on the amount of operating revenue as compared with the same period last year, the occurrence of the operating revenue from the abovementioned customers was identified as a key audit matter.

Refer to Note 4 to the Group's consolidated financial statements for the accounting policy of revenue recognition.

Our audit procedures performed to verify the occurrence of revenue in respect of the above key audit matter included the following:

1. We obtained an understanding of the design and tested the operating effectiveness of the relevant internal controls.
2. We sampled and checked the transaction documents.
3. We sent a written confirmation requests and performed other alternative audit procedures.

Other Matter

We have also audited the parent company only financial statements of the Company 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 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 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 the supervisors, 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 and appropriate audit evidence regarding the financial information of 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.

The engagement partners on the audits resulting in this independent auditors' report are Wang-Sheng Lin and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

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.

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 772,959	11	\$ 964,365	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	397	-	432	-
Notes receivable (Notes 4, 8, 22 and 24)	622,757	9	324,933	5
Trade receivables from unrelated parties (Notes 4 and 8)	1,294,396	18	1,315,179	19
Other receivables	12,487	-	15,047	-
Current tax assets (Notes 4 and 18)	26,367	-	20,650	1
Inventories (Notes 4 and 9)	803,018	12	793,907	12
Other current assets	<u>115,704</u>	<u>2</u>	<u>148,416</u>	<u>2</u>
Total current assets	<u>3,648,085</u>	<u>52</u>	<u>3,582,929</u>	<u>53</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11 and 24)	3,180,225	45	3,021,828	44
Right-of-use assets (Notes 4 and 12)	82,898	1	88,117	1
Investment properties (Note 4)	2,498	-	2,502	-
Other intangible assets (Note 4)	11,394	-	18,212	-
Deferred tax assets (Notes 4 and 18)	25,423	1	27,650	1
Other non-current assets	<u>78,102</u>	<u>1</u>	<u>76,872</u>	<u>1</u>
Total non-current assets	<u>3,380,540</u>	<u>48</u>	<u>3,235,181</u>	<u>47</u>
TOTAL	<u>\$ 7,028,625</u>	<u>100</u>	<u>\$ 6,818,110</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 24)	\$ 1,224,185	17	\$ 1,399,560	21
Notes payable	2,858	-	3,621	-
Trade payables to unrelated parties	520,377	7	413,810	6
Other payables to unrelated parties (Notes 14 and 22)	283,129	4	340,871	5
Other payables to related parties (Note 23)	12,342	-	16,245	-
Current tax liabilities (Notes 4 and 18)	111,548	2	53,943	1
Finance lease payables - current (Notes 4 and 12)	6,250	-	11,606	-
Other current liabilities	<u>53,894</u>	<u>1</u>	<u>63,400</u>	<u>1</u>
Total current liabilities	<u>2,214,583</u>	<u>31</u>	<u>2,303,056</u>	<u>34</u>
NON-CURRENT LIABILITIES				
Finance lease payables - non-current (Notes 4 and 12)	6,668	-	4,273	-
Deferred tax liabilities (Notes 4 and 18)	157,987	2	150,799	2
Net defined benefit liabilities - non-current (Notes 4 and 15)	26,947	1	37,096	1
Other non-current liabilities	<u>6,932</u>	<u>-</u>	<u>8,831</u>	<u>-</u>
Total non-current liabilities	<u>198,534</u>	<u>3</u>	<u>200,999</u>	<u>3</u>
Total liabilities	<u>2,413,117</u>	<u>34</u>	<u>2,504,055</u>	<u>37</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 16)				
Share capital				
Ordinary shares	<u>996,547</u>	<u>15</u>	<u>972,241</u>	<u>14</u>
Capital surplus	<u>1,133,491</u>	<u>16</u>	<u>1,279,327</u>	<u>19</u>
Retained earnings				
Legal reserve	815,276	12	768,632	11
Special reserve	287,251	4	220,008	3
Unappropriated earnings	<u>1,573,564</u>	<u>22</u>	<u>1,299,193</u>	<u>19</u>
Total retained earnings	<u>2,676,091</u>	<u>38</u>	<u>2,287,833</u>	<u>33</u>
Other equity	<u>(202,507)</u>	<u>(3)</u>	<u>(227,335)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	4,603,622	66	4,312,066	63
NON-CONTROLLING INTERESTS	<u>11,886</u>	<u>-</u>	<u>1,989</u>	<u>-</u>
Total equity	<u>4,615,508</u>	<u>66</u>	<u>4,314,055</u>	<u>63</u>
TOTAL	<u>\$ 7,028,625</u>	<u>100</u>	<u>\$ 6,818,110</u>	<u>100</u>

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

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 3,653,272	100	\$ 3,791,279	100
OPERATING COSTS (Notes 9 and 17)	<u>2,323,355</u>	<u>64</u>	<u>2,560,780</u>	<u>67</u>
GROSS PROFIT	<u>1,329,917</u>	<u>36</u>	<u>1,230,499</u>	<u>33</u>
OPERATING EXPENSES (Notes 4, 8 and 17)				
Selling and marketing expenses	184,039	5	209,751	6
General and administrative expenses	268,944	7	273,993	7
Research and development expenses	179,041	5	185,407	5
Expected credit loss (gain)	<u>4,251</u>	<u>-</u>	<u>(30,162)</u>	<u>(1)</u>
Total operating expenses	<u>636,275</u>	<u>17</u>	<u>638,989</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>693,642</u>	<u>19</u>	<u>591,510</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 17)	4,902	-	9,353	-
Other income (Note 17)	30,961	1	30,260	1
Other gains and losses (Note 17)	(34,709)	(1)	(43,158)	(1)
Finance costs (Note 4)	<u>(14,918)</u>	<u>(1)</u>	<u>(25,157)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(13,764)</u>	<u>(1)</u>	<u>(28,702)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	679,878	18	562,808	15
INCOME TAX EXPENSE (Notes 4 and 18)	<u>121,652</u>	<u>3</u>	<u>98,935</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>558,226</u>	<u>15</u>	<u>463,873</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 15 and 18)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	1,175	-	2,716	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(235)</u>	<u>-</u>	<u>(543)</u>	<u>-</u>
	<u>940</u>	<u>-</u>	<u>2,173</u>	<u>-</u>

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HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	\$ 24,888	1	\$ (67,135)	(1)
	<u>24,888</u>	<u>1</u>	<u>(67,135)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>25,828</u>	<u>1</u>	<u>(64,962)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 584,054</u>	<u>16</u>	<u>\$ 398,911</u>	<u>11</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 557,460	15	\$ 464,271	12
Non-controlling interests	<u>766</u>	<u>-</u>	<u>(398)</u>	<u>-</u>
	<u>\$ 558,226</u>	<u>15</u>	<u>\$ 463,873</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 583,228	16	\$ 399,200	11
Non-controlling interests	<u>826</u>	<u>-</u>	<u>(289)</u>	<u>-</u>
	<u>\$ 584,054</u>	<u>16</u>	<u>\$ 398,911</u>	<u>11</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 5.59</u>		<u>\$ 4.66</u>	
Diluted	<u>\$ 5.57</u>		<u>\$ 4.64</u>	

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

(Concluded)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company					Other Equity Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests	Total Equity
	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings				
			Legal Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2019	\$ 972,241	\$ 1,279,327	\$ 710,302	\$ 191,891	\$ 1,308,092	\$ (160,091)	\$ 4,301,762	\$ 2,278	\$ 4,304,040
Appropriation of 2018 earnings									
Legal reserve	-	-	58,330	-	(58,330)	-	-	-	-
Special reserve	-	-	-	28,117	(28,117)	-	-	-	-
Cash dividends	-	-	-	-	(388,896)	-	(388,896)	-	(388,896)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	464,271	-	464,271	(398)	463,873
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,173</u>	<u>(67,244)</u>	<u>(65,071)</u>	<u>109</u>	<u>(64,962)</u>
Total comprehensive income (loss) for the year ended December 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,444</u>	<u>(67,244)</u>	<u>399,200</u>	<u>(289)</u>	<u>398,911</u>
BALANCE AT DECEMBER 31, 2019	972,241	1,279,327	768,632	220,008	1,299,193	(227,335)	4,312,066	1,989	4,314,055
Appropriation of 2019 earnings									
Legal reserve	-	-	46,644	-	(46,644)	-	-	-	-
Special reserve	-	-	-	67,243	(67,243)	-	-	-	-
Cash dividends	-	-	-	-	(145,836)	-	(145,836)	-	(145,836)
Share dividends	24,306	-	-	-	(24,306)	-	-	-	-
Cash dividends from capital surplus	-	(145,836)	-	-	-	-	(145,836)	-	(145,836)
Additional non-controlling interests	-	-	-	-	-	-	-	9,071	9,071
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	557,460	-	557,460	766	558,226
Other comprehensive income for the year ended December 31, 2020, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>940</u>	<u>24,828</u>	<u>25,768</u>	<u>60</u>	<u>25,828</u>
Total comprehensive income (loss) for the year ended December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,400</u>	<u>24,828</u>	<u>583,228</u>	<u>826</u>	<u>584,054</u>
BALANCE AT DECEMBER 31, 2020	<u>\$ 996,547</u>	<u>\$ 1,133,491</u>	<u>\$ 815,276</u>	<u>\$ 287,251</u>	<u>\$ 1,573,564</u>	<u>\$ (202,507)</u>	<u>\$ 4,603,622</u>	<u>\$ 11,886</u>	<u>\$ 4,615,508</u>

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

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 679,878	\$ 562,808
Adjustments for:		
Depreciation expenses	242,248	228,173
Amortization expenses	32,276	35,016
Expected credit (gain) loss recognized	4,251	(30,162)
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(4,835)	(11,271)
Finance costs	14,918	25,157
Interest income	(4,902)	(9,353)
Dividend income	(26)	(26)
Gain on disposal of property, plant and equipment	(4,218)	(708)
Write-downs of inventories	(1,334)	18,653
Loss on disposal of subsidiaries	-	14,579
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	4,870	58,801
Notes receivable	(297,824)	129,286
Trade receivables from unrelated parties	15,886	(137,684)
Other receivables	2,560	106
Inventories	(9,308)	106,411
Other current assets	32,712	(29,776)
Other non-current assets	24,551	44,166
Notes payable	(763)	(2,724)
Trade payables from unrelated parties	106,567	61,159
Other payables	(128,632)	11,248
Other payables from related parties	(3,903)	(628)
Other current liabilities	(9,506)	38,675
Provisions - non-current	(8,974)	(8,582)
Other non-current liabilities	(1,820)	1,821
Cash generated from operations	684,672	1,105,145
Interest received	4,902	9,353
Interest paid	(14,918)	(25,157)
Income tax received	-	2,841
Income tax paid	(68,816)	(102,384)
Net cash generated from operating activities	605,840	989,798
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(63,624)
Proceeds from sale of financial assets at amortized cost	-	72,614
Payments for property, plant and equipment	(533,305)	(538,677)
Proceeds from disposal of property, plant and equipment	86,274	27,277
Increase in refundable deposits	(2,539)	-
Decrease in refundable deposits	-	372

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HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2020	2019
Payments for intangible assets	\$ (867)	\$ (5,668)
Dividends received	<u>26</u>	<u>26</u>
Net cash used in investing activities	<u>(450,411)</u>	<u>(507,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	(81,915)	(40,620)
Refund of guarantee deposits received	(79)	(2,360)
Repayment of the principal portion of lease liabilities	(10,020)	(14,456)
Dividends paid to owners of the Company	(291,672)	(388,896)
Changes in non-controlling interests	<u>9,071</u>	<u>-</u>
Net cash used in financing activities	<u>(374,615)</u>	<u>(446,332)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>27,780</u>	<u>(26,372)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(191,406)	9,414
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>964,365</u>	<u>954,951</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 772,959</u>	<u>\$ 964,365</u>

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

(Concluded)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Organization and Operations of the Parent Company

Hu Lane Associate Inc. (the “Company” or Hu Lane Associate) was incorporated in July 1977 as Hu Lane Enterprise Co., Ltd. and renamed as Hu Lane Industry Co., Ltd. on January 29, 2001, and later renamed again as Hu Lane Associate Inc. in 2003. Hu Lane Associate established the Hong Kong Branch in October 2001. Hu Lane Associate is mainly engaged in the manufacturing and sale of terminal devices, terminal crimping, industrial rubber and plastic products.

Hu Lane Associate’s shares have been listed on the Taipei Exchange since November 26, 2003. Hu Lane Associate’s stockholders approved the planned merger with Jie Yun Industry Co., Ltd. on May 28, 2004 with the effective merger date on August 31, 2004, and Hu Lane Associate was the surviving entity. Hu Lane Associate’s board of directors approved the planned merger with I-hung Steel Co., Ltd. on April 4, 2014 with the effective merger date on May 12, 2014, and Hu Lane Associate was the surviving entity.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

Organization and Operations of the Subsidiaries

Evervalue Investments Limited (Evervalue), a company established on March 12, 2001, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Telford Investments Limited (Telford), a company established on March 8, 2001, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Chiren Investments Limited (Chiren), a company established on August 16, 2004, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment. On the July 19, 2019, the board of directors resolved to dissolve Chiren and completed its liquidation on July 29, 2019.

Hu Lane Electronics (Vietnam) Limited (HuLane Vietnam), a company established in November 2009, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in manufacturing terminals and molding.

Hulane Electronics (Shenzhen) Limited (Hulane Shenzhen), a company established in June 1999, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing of terminals and molding. On February 25, 2019, the board of directors resolved to dissolve Hulane Shenzhen and completed its liquidation on June 10, 2019.

Lihoo Electronics (Shenzhen) Limited (Lihoo Shenzhen), a company established in October 1997, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing electronics products. On February 25, 2019, the board of directors resolved to dissolve Lihoo Shenzhen and completed its liquidation on May 31, 2019.

Hulane Electronics (Nanjing) Limited (Hulane Nanjing), a company established in January 2004, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing terminals and molding.

Fortune Master Development Limited (Fortune Master), a company established on March 5, 2010, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in trading and investment.

Dongguan Hulane Electronics Technology (Dongguan Hulane), a company established in June 2011, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in the manufacturing of terminals and molding.

Dongguan Hulane Puquang Trading Limited (Dongguan Puquang), a company established in May 2012, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in sales of vehicle components and plastic materials.

PT Hulane Tech Manufacturing's 80% equity was acquired by the Company in December 2017. The purpose of this acquisition is to develop area integration for the long-term expansion and operations of the Company. PT Hulane Tech Manufacturing applied for capital increase in August 2020 and Evervalue Investments Limited participated in the capital increase. After the capital increase, the Company and Evervalue Investments Limited held 32% and 48% shareholding of PT Hulane Tech Manufacturing, respectively.

Hu Lane Associate and its subsidiaries are hereinafter referred to collectively as the "Group".

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 26, 2021.

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

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

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"	June 1, 2020

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 10 and Table 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries, associates, joint ventures and branches in other countries that use currencies different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent that interests in the associate are not related to the Group.

i. Property, plant and equipment

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

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

m. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

Financial assets are classified as financial assets at fair value through profit or loss and financial assets at amortized cost.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 22.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables.

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

n. Revenue recognition

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the contracts are negotiated as a package with a single commercial objective.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of terminals and molds. Sales of terminals and molds are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed.

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

o. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

s. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 2,604	\$ 2,131
Checking accounts and demand deposits	499,416	708,187
Cash equivalents		
Time deposits with original maturities within three months	<u>270,939</u>	<u>254,047</u>
	<u>\$ 772,959</u>	<u>\$ 964,365</u>

The market rate intervals of demand deposits and time deposits at the end of year were as follows:

	December 31	
	2020	2019
Demand deposits	0.01%-1.72%	0.01%-0.35%
Time deposits	0.75%-2.35%	2.07%-2.93%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Domestic listed shares	<u>\$ 397</u>	<u>\$ 432</u>

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 622,757</u>	<u>\$ 324,933</u>
<u>Trade receivables from unrelated parties</u>		
Trade receivables	\$ 1,334,652	\$ 1,350,538
Less: Allowance for impairment loss	<u>(40,256)</u>	<u>(35,359)</u>
	<u>\$ 1,294,396</u>	<u>\$ 1,315,179</u>

Refer to Note 22 for details of the factoring agreements for trade receivables.

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with reputable entities, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the executive vice president, internal audit department and accounting department annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position at the reporting date. As the Group's historical credit loss experience show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Group's different customer base.

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

December 31, 2020

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Expected credit loss rate	0.00%-3.38%	0.00%-5.96%	0.00%-46.86%	51.44%-100%	100%	
Gross carrying amount	\$ 1,000,439	\$ 292,053	\$ 9,994	\$ 4,926	\$ 27,240	\$ 1,334,652
Loss allowance (Lifetime ECLs)	<u>(5,371)</u>	<u>(2,862)</u>	<u>(1,359)</u>	<u>(3,424)</u>	<u>(27,240)</u>	<u>(40,256)</u>
Amortized cost	<u>\$ 995,608</u>	<u>\$ 289,191</u>	<u>\$ 8,635</u>	<u>\$ 1,502</u>	<u>\$ -</u>	<u>\$ 1,294,396</u>

December 31, 2019

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Expected credit loss rate	0.00%-0.65%	0.00%-5.58%	0.00%-37.8%	0.00%-100%	100%	
Gross carrying amount	\$ 909,038	\$ 389,256	\$ 21,671	\$ 2,134	\$ 28,439	\$ 1,350,538
Loss allowance (Lifetime ECLs)	<u>(2,471)</u>	<u>(2,363)</u>	<u>(759)</u>	<u>(1,327)</u>	<u>(28,439)</u>	<u>(35,359)</u>
Amortized cost	<u>\$ 906,567</u>	<u>\$ 386,893</u>	<u>\$ 20,912</u>	<u>\$ 807</u>	<u>\$ -</u>	<u>\$ 1,315,179</u>

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

	2020	2019
Balance at January 1	\$ 35,359	\$ 66,950
Add: Net remeasurement of loss allowance	4,251	-
Less: Net remeasurement of loss allowance	-	(30,162)
Less: Amounts written off	-	(79)
Foreign exchange gains and losses	<u>646</u>	<u>(1,350)</u>
Balance at December 31	<u>\$ 40,256</u>	<u>\$ 35,359</u>

9. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 273,996	\$ 292,509
Work in progress	104,220	101,088
Raw materials and supplies	150,090	126,095
Merchandise	<u>274,712</u>	<u>274,215</u>
	<u>\$ 803,018</u>	<u>\$ 793,907</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$2,323,355 thousand and \$2,560,780 thousand, respectively. The cost of goods sold included inventory write-downs or gain from price recovery of inventory, which amounted to \$(1,334) thousand and \$18,653 thousand in 2020 and 2019, respectively. The increase in the net realizable value of the inventory is due to the increase in the sales price of the inventory in some markets.

10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	
			2020	2019
Hu Lane Associate	Telford	Investment	100	100
	Evervalue	Investment	100	100
	Hu Lane Vietnam	Manufacture of plastic connectors and molds	100	100
Evervalue	PT Hulane Tech Manufacturing	Manufacture of plastic connectors and molds	32	80
	Hulane Nanjing	Manufacture of plastic connectors and molds	100	100
	Fortune Master	Trading and investment	100	100
	PT Hulane Tech Manufacturing	Manufacture of plastic connectors and molds	48	-
Fortune Master	Dongguan Hulane	Manufacture of plastic connectors and molds	100	100
	Dongguan Puguang	Sales of vehicle components and plastic materials	100	100

b. Subsidiaries excluded from the consolidated financial statements: None.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Other Equipment	Prepayments for Equipment and Property under Construction	Total
<u>Cost</u>									
Balance at January 1, 2019	\$ 1,008,022	\$ 518,926	\$ 1,661,837	\$ 19,489	\$ 71,444	\$ 1,200	\$ 4,415	\$ 654,118	\$ 3,939,451
Additions	-	153	77,255	1,915	3,789	-	16,002	398,866	497,980
Disposals	-	(268)	(54,876)	(1,957)	(2,527)	-	-	(10,037)	(69,665)
Effect of foreign currency exchange differences	-	(14,336)	(58,041)	335	(2,048)	-	(34)	(6,760)	(81,554)
Reclassifications	-	4,659	141,718	220	(5,658)	-	(4,636)	(176,783)	(40,480)
Balance at December 31, 2019	<u>1,008,022</u>	<u>509,134</u>	<u>1,767,893</u>	<u>19,332</u>	<u>65,000</u>	<u>1,200</u>	<u>15,747</u>	<u>859,404</u>	<u>4,245,732</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2019	-	119,394	907,276	12,979	42,961	600	1,766	-	1,084,976
Depreciation expense	-	19,534	180,945	1,677	7,936	480	580	-	211,152
Disposals	-	(267)	(38,544)	(1,957)	(2,328)	-	-	-	(43,096)
Effect of foreign currency exchange differences	-	(3,292)	(32,544)	(293)	(1,200)	-	(27)	-	(37,356)
Reclassifications	-	318	7,458	-	531	-	(79)	-	8,228
Balance at December 31, 2019	<u>-</u>	<u>135,687</u>	<u>1,024,591</u>	<u>12,406</u>	<u>47,900</u>	<u>1,080</u>	<u>2,240</u>	<u>-</u>	<u>1,223,904</u>
Carrying amounts at December 31, 2019	<u>\$ 1,008,022</u>	<u>\$ 373,447</u>	<u>\$ 743,302</u>	<u>\$ 6,926</u>	<u>\$ 17,100</u>	<u>\$ 120</u>	<u>\$ 13,507</u>	<u>\$ 859,404</u>	<u>\$ 3,021,828</u>
<u>Cost</u>									
Balance at January 1, 2020	\$ 1,008,022	\$ 509,134	\$ 1,767,893	\$ 19,332	\$ 65,000	\$ 1,200	\$ 15,747	\$ 859,404	\$ 4,245,732
Additions	-	59,716	6,433	-	507	-	133	443,946	510,735
Disposals	-	(122)	(69,963)	(468)	(705)	-	(224)	(73,016)	(144,498)
Effect of foreign currency exchange differences	-	990	17,578	(174)	256	-	(481)	(4,464)	13,705
Reclassifications	-	4,441	201,787	1,004	1,304	-	1,596	(249,916)	(39,784)
Balance at December 31, 2020	<u>1,008,022</u>	<u>574,159</u>	<u>1,923,728</u>	<u>19,694</u>	<u>66,362</u>	<u>1,200</u>	<u>16,771</u>	<u>975,954</u>	<u>4,585,890</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2020	-	135,687	1,024,591	12,406	47,900	1,080	2,240	-	1,223,904
Depreciation expense	-	19,361	201,068	1,603	5,153	120	3,671	-	230,976
Disposals	-	(541)	(60,697)	(369)	(637)	-	(198)	-	(62,442)
Effect of foreign currency exchange differences	-	184	13,389	(85)	209	-	(439)	-	13,258
Reclassifications	-	-	-	-	-	-	(31)	-	(31)
Balance at December 31, 2020	<u>-</u>	<u>154,691</u>	<u>1,178,351</u>	<u>13,555</u>	<u>52,625</u>	<u>1,200</u>	<u>5,243</u>	<u>-</u>	<u>1,405,665</u>
Carrying amounts at December 31, 2020	<u>\$ 1,008,022</u>	<u>\$ 419,468</u>	<u>\$ 745,377</u>	<u>\$ 6,139</u>	<u>\$ 13,737</u>	<u>\$ -</u>	<u>\$ 11,528</u>	<u>\$ 975,954</u>	<u>\$ 3,180,225</u>

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

Building	3-50 years
Machinery equipment	1-10 years
Transportation equipment	4-10 years
Furniture and fixtures and other equipment	1-10 years
Leasehold improvements	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 24.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Land	\$ 70,124	\$ 72,304
Buildings	10,750	13,263
Office equipment	1,104	1,191
Transportation equipment	<u>920</u>	<u>1,359</u>
	<u>\$ 82,898</u>	<u>\$ 88,117</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ <u>1,125</u>	\$ <u>4,745</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,892	\$ 2,105
Buildings	8,515	14,100
Office equipment	422	365
Transportation equipment	<u>439</u>	<u>447</u>
	\$ <u>11,268</u>	\$ <u>17,017</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current	\$ <u>6,250</u>	\$ <u>11,606</u>
Non-current	\$ <u>6,668</u>	\$ <u>4,273</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	-	-
Buildings	0.074%-0.5625%	0.8874%-6.75%
Office equipment	0.0568%-0.074%	0.873%-0.8874%
Transportation equipment	0.1983%	0.8874%-2.38%

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ <u>8,957</u>	\$ <u>14,638</u>
Total cash outflow for leases	\$ <u>(19,256)</u>	\$ <u>(30,374)</u>

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2020	2019
Lease commitments	\$ <u>19,555</u>	\$ <u>22,155</u>

The Group's leases of certain building, office equipment and transportation equipment qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. BORROWINGS

	December 31	
	2020	2019
<u>Secured borrowings</u>		
Bank loans	\$ 200,000	\$ 500,000
Notes receivable as collateral	34,185	93,640
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>990,000</u>	<u>806,100</u>
	<u>\$ 1,224,185</u>	<u>\$ 1,399,560</u>

- a. The range of interest rate on borrowings was 0.64%-0.79% and 0.81%-4.2% per annum as of December 31, 2020 and 2019, respectively.
- b. Endorsements and guarantees for Dongguan Puguang are provided by the Company.

14. OTHER PAYABLES

	December 31	
	2020	2019
Accrued salaries and bonuses	\$ 100,024	\$ 94,637
Compensation of employees and remuneration of directors and supervisors	40,920	33,550
Payables for equipment	52,678	75,248
Others	<u>89,507</u>	<u>137,436</u>
	<u>\$ 283,129</u>	<u>\$ 340,871</u>

15. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The pension schemes of the Group's branch in Hong Kong and its subsidiaries in China and Vietnam and Indonesia were defined contributions, under which the related contributions were made according to local regulations; holding companies had no employees and had no pension schemes. The other entities of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The expense of defined contribution plans is set out below:

	December 31	
	2020	2019
Defined contribution plans	<u>\$ 14,703</u>	<u>\$ 44,728</u>

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 123,390	\$ 127,726
Fair value of plan assets	<u>(96,443)</u>	<u>(90,630)</u>
Net defined benefit liabilities	<u>\$ 26,947</u>	<u>\$ 37,096</u>
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets
		Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	<u>\$ 131,653</u>	<u>\$ (83,259)</u>
Service cost		
Current service cost	1,241	-
Net interest expense (income)	<u>1,440</u>	<u>(895)</u>
Recognized in profit or loss	<u>2,681</u>	<u>(895)</u>
Remeasurement		
Return on plan assets (excluding amounts included in net interest)	-	(2,782)
Actuarial gain - experience adjustments	<u>66</u>	<u>-</u>
Recognized in other comprehensive income	<u>66</u>	<u>(2,716)</u>
Contributions from the employer	<u>-</u>	<u>(10,368)</u>
Benefits paid	<u>(6,674)</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 127,726</u>	<u>\$ (90,630)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 127,726</u>	<u>\$ (90,630)</u>	<u>\$ 37,096</u>
Service cost			
Current service cost	1,120	-	1,120
Net interest expense (income)	<u>1,277</u>	<u>(915)</u>	<u>362</u>
Recognized in profit or loss	<u>2,397</u>	<u>(915)</u>	<u>1,482</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,691)	(2,691)
Actuarial gain - experience adjustments	<u>1,516</u>	<u>-</u>	<u>1,516</u>
Recognized in other comprehensive income	<u>1,516</u>	<u>(2,691)</u>	<u>(1,175)</u>
Contributions from the employer	<u>-</u>	<u>(10,456)</u>	<u>(10,456)</u>
Benefits paid	<u>(8,249)</u>	<u>8,249</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 123,390</u>	<u>\$ (96,443)</u>	<u>\$ 26,947</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate(s)	0.80%	1.00%
Expected rate(s) of salary increase	2.00%	2.00%
Mortality rate	Taiwan actuarial life table	
Turnover rate	Note	Note

Note: Based on historical experience of the turnover rate for the past few years and consideration of future developments.

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

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	\$ <u>(1,840)</u>	\$ <u>(2,059)</u>
0.25% decrease	\$ <u>1,904</u>	\$ <u>2,132</u>
Expected rate(s) of salary increase		
1% increase	\$ <u>7,954</u>	\$ <u>8,928</u>
1% decrease	\$ <u>(7,083)</u>	\$ <u>(7,921)</u>

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	\$ <u>11,301</u>	\$ <u>1,786</u>
The average duration of the defined benefit obligation	10.4 years	11.1 years

16. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Shares authorized	\$ <u>1,200,000</u>	\$ <u>1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>99,654</u>	<u>97,224</u>
Shares issued	\$ <u>996,547</u>	\$ <u>972,241</u>

On June 19, 2020, the Company's board of directors resolved to issue 2,430 thousand ordinary shares with a par value of \$10, which increased the share capital issued to \$996,547 thousand. On August 5, 2020, the above application was approved by the FSC and the capital increase base date was determined by the board of directors to be August 30, 2020.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 1,066,196	\$ 1,212,032
Consolidation excess	53,723	53,723
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	101	101
Others	<u>13,471</u>	<u>13,471</u>
	<u>\$ 1,133,491</u>	<u>\$ 1,279,327</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares), consolidation excess and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, please refer to Note 17e: Compensation of employees and remuneration of directors and supervisors.

In consideration of the operating environment and business growth, the Company distributed dividends both by cash and by stock to meet the capital needs for the Company's present and future expansion plans and to satisfy stockholders' cash flow requirements. In principle, cash dividends should not be lower than 10% of total dividends distributed.

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

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders' meetings on June 19, 2020 and June 18, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 46,644	\$ 58,330	\$ -	\$ -
Special reserve	67,243	28,117	-	-
Cash dividends	145,836	388,896	1.50	4.00
Share dividends	24,306	-	0.25	-

The Company's shareholders also resolved in the shareholders' meeting on June 19, 2020 to issue cash dividends of \$145,836 thousand from capital surplus.

e. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (227,335)	\$ (160,091)
Exchange differences on translation of the financial statements of foreign operations	(24,828)	(81,823)
Disposal of foreign operations	<u>-</u>	<u>14,579</u>
Balance at December 31	<u>\$ (202,507)</u>	<u>\$ (227,335)</u>

17. NET PROFIT AND OTHER COMPREHENSIVE INCOME

a. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits and loans to related parties	<u>\$ 4,902</u>	<u>\$ 9,353</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	\$ 26	\$ 26
Rental income	223	223
Others	<u>30,712</u>	<u>30,011</u>
	<u>\$ 30,961</u>	<u>\$ 30,260</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange losses	\$ (30,762)	\$ (37,113)
Other losses	<u>(3,947)</u>	<u>(6,045)</u>
	<u>\$ (34,709)</u>	<u>\$ (43,158)</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 230,976	\$ 211,152
Right-of-use assets	11,268	17,017
Investment properties	<u>4</u>	<u>4</u>
	<u>\$ 242,248</u>	<u>\$ 228,173</u>
An analysis of depreciation by function		
Operating costs	\$ 193,474	\$ 189,969
Operating expenses	<u>48,774</u>	<u>38,204</u>
	<u>\$ 242,248</u>	<u>\$ 228,173</u>
An analysis of amortization by function		
Operating costs	\$ 9,600	\$ 10,775
Operating expenses	<u>22,676</u>	<u>24,241</u>
	<u>\$ 32,276</u>	<u>\$ 35,016</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term benefits	<u>\$ 628,134</u>	<u>\$ 623,034</u>
Post-employment benefits		
Defined contribution plans	14,703	44,728
Defined benefit plans (Note 15)	<u>1,482</u>	<u>1,786</u>
	<u>16,185</u>	<u>46,514</u>
Other employee benefits	<u>172,772</u>	<u>204,393</u>
Total employee benefits expense	<u>\$ 817,091</u>	<u>\$ 873,941</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 480,968	\$ 522,764
Operating expenses	<u>336,123</u>	<u>351,177</u>
	<u>\$ 817,091</u>	<u>\$ 873,941</u>

f. Compensation of employees and remuneration of directors (and supervisors)

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors (and supervisors) at the rates of 1%-10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors (and supervisors). The compensation of employees and remuneration of directors (and supervisors) for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 26, 2021 and March 27, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	5.52%	5.19%
Remuneration of directors (and supervisors)	0.55%	0.52%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 37,200	\$ 30,500
Remuneration of directors (and supervisors)	3,720	3,050

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors (and supervisors) paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018.

Information on the compensation of employees and remuneration of directors (and supervisors) resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAX

a. Major components of tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2020	2019
<u>Current tax</u>		
In respect of the current year	\$ 103,428	\$ 80,588
Income tax on unappropriated earnings	9,121	4,711
Adjustments for prior years	<u>(77)</u>	<u>2,246</u>
	112,472	87,545
<u>Deferred tax</u>		
In respect of the current year	<u>9,180</u>	<u>11,390</u>
Income tax expense recognized in profit or loss	<u>\$ 121,652</u>	<u>\$ 98,935</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax	\$ 679,878	\$ 562,808
Income tax expense calculated at the statutory rate	\$ 135,976	\$ 112,562
Tax-exempt income	-	-
Unrecognized deductible temporary differences	(32,552)	(22,441)
Income tax on unappropriated earnings	9,121	4,711
Effect of different tax rate of entities in the Group operating in other jurisdictions	9,184	1,857
Adjustments for prior years' tax	<u>(77)</u>	<u>2,246</u>
Income tax expense recognized in profit or loss	<u>\$ 121,652</u>	<u>\$ 98,935</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	\$ <u>(235)</u>	\$ <u>(543)</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	\$ <u>26,367</u>	\$ <u>20,650</u>
Current tax liabilities		
Income tax payable	\$ <u>111,548</u>	\$ <u>53,943</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 7,420	\$ (1,795)	\$ (235)	\$ 5,390
Allowance for inventory losses	3,035	(217)	-	2,818
Others	<u>17,195</u>	<u>20</u>	<u>-</u>	<u>17,215</u>
	<u>\$ 27,650</u>	<u>\$ (1,992)</u>	<u>\$ (235)</u>	<u>\$ 25,423</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	\$ -	\$ 7,188	\$ -	\$ 7,188
Land value increment tax	<u>150,799</u>	<u>-</u>	<u>-</u>	<u>150,799</u>
	<u>\$ 150,799</u>	<u>\$ 7,188</u>	<u>\$ -</u>	<u>\$ 157,987</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 9,679	\$ (1,716)	\$ (543)	\$ 7,420
Allowance for inventory losses	2,626	409	-	3,035
Others	<u>28,937</u>	<u>(11,742)</u>	<u>-</u>	<u>17,195</u>
	<u>\$ 41,242</u>	<u>\$ (13,049)</u>	<u>\$ (543)</u>	<u>\$ 27,650</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	\$ 1,659	\$ (1,659)	\$ -	\$ -
Land value increment tax	<u>150,799</u>	<u>-</u>	<u>-</u>	<u>150,799</u>
	<u>\$ 152,458</u>	<u>\$ (1,659)</u>	<u>\$ -</u>	<u>\$ 150,799</u>

e. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities. The Company includes Hong Kong branch's income in the calculation of its taxable income during tax declaration each year, and applied for tax refund after attestation by a local organization in Hong Kong recognized by the ROC. As of December 31, 2019, Hu Lane Associate applied for refund of tax through 2016, which was approved by the tax authorities. As of December 31, 2020 and 2019, tax refund receivables amounted to \$20,864 thousand and \$15,823 thousand, respectively.

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	\$ <u>5.59</u>	\$ <u>4.66</u>
Diluted earnings per share	\$ <u>5.57</u>	\$ <u>4.64</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 30, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	\$ <u>4.78</u>	\$ <u>4.66</u>
Diluted earnings per share	\$ <u>4.75</u>	\$ <u>4.64</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	\$ <u>557,460</u>	\$ <u>464,271</u>
Earnings used in the computation of diluted earnings per share	\$ <u>557,460</u>	\$ <u>464,271</u>

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	99,655	99,655
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>410</u>	<u>439</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,065</u>	<u>100,094</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company and its subsidiaries were granted 890 options in March 2009. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second to fourth anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taipei Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	2019	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	5	\$ 14.87
Options exercised	-	-
Options forfeited	<u>(5)</u>	14.87
Balance at December 31	<u>-</u>	
Options exercisable, end of year	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 7,792</u>	

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the reporting period.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

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

22. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities not carried at fair values approximate their fair values.

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

- Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 397	\$ -	\$ -	\$ 397

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 432	\$ -	\$ -	\$ 432

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

c. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 397	\$ 432
Financial assets at amortized cost (1)	2,710,805	2,625,191
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,043,357	2,174,652

- 1) The balances include financial assets measured at amortized cost, which comprised cash and cash equivalents, notes receivable, trade receivables, other receivables and part of other non-current assets.
- 2) The balances include financial liabilities measured at amortized cost, which comprised short-term loans, notes payable, trade payables, other payables and part of other non-current liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Profit or loss	\$ 29,392	\$ 34,155	\$ 34,246	\$ 38,575

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 270,939	\$ 254,047
Financial liabilities	1,224,185	1,306,100
Cash flow interest rate risk		
Financial assets	499,416	708,187

Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The Group's floating-rate financial assets were demand deposits, which fluctuated moderately, and accordingly the Group was exposed to low interest rate risk. On the other hand, no floating-rate liabilities were held at the end of the reporting period, and no related sensitivity analysis was performed.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by related departments such as executive vice president, internal auditors, and financial accounting.

The Group transacts with a large number of diverse customers from different industries and geographical locations; the Group performs ongoing credit evaluation on the financial condition of trade receivables and controlled the credit risk exposure.

The Group's concentration of credit risk accounted for 16% and 20% of total trade receivables as of December 31, 2020 and 2019, respectively, which was attributable to the Group's largest customer.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2020

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 287,230	\$ 512,801	\$ 18,675	\$ 20	\$ 446
Lease liabilities	456	484	2,405	2,361	-
Fixed interest rate liabilities	<u>255,643</u>	<u>185,851</u>	<u>785,254</u>	<u>-</u>	<u>-</u>
	<u>\$ 543,329</u>	<u>\$ 699,136</u>	<u>\$ 806,334</u>	<u>\$ 2,381</u>	<u>\$ 446</u>

December 31, 2019

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 141,460	\$ 691,919	\$ 18,282	\$ 20	\$ 525
Lease liabilities	989	1,638	9,998	4,388	-
Fixed interest rate liabilities	<u>221,116</u>	<u>451,937</u>	<u>637,633</u>	<u>-</u>	<u>-</u>
	<u>\$ 363,565</u>	<u>\$ 1,145,494</u>	<u>\$ 660,014</u>	<u>\$ 4,408</u>	<u>\$ 525</u>

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually		
Amount used	\$ 990,000	\$ 806,100
Amount unused	<u>746,990</u>	<u>792,770</u>
	<u>\$ 1,736,990</u>	<u>\$ 1,598,870</u>
Secured bank overdraft facilities		
Amount used	\$ 234,185	\$ 593,460
Amount unused	<u>1,000,000</u>	<u>700,000</u>
	<u>\$ 1,234,185</u>	<u>\$ 1,293,460</u>

e. Financial asset transfer information

Factored trade receivables for the years ended December 31, 2020 and 2019 were as follows:

Counterparty	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line (In Thousands)
<u>2020</u>					
Cathay United Bank	<u>\$ 398,089</u>	<u>\$ 389,089</u>	<u>\$ -</u>	2.30-3.26	RMB 100,000
<u>2019</u>					
Cathay United Bank	<u>\$ 579,887</u>	<u>\$ 579,887</u>	<u>\$ -</u>	3-3.74	RMB 100,000

The above credit lines may be used on a revolving basis.

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks.

During 2020 and 2019, the Group's discounted notes receivable with an aggregate carrying amount of \$116,502 thousand and \$826,699 thousand were sold to a bank for cash proceeds of \$116,502 thousand and \$826,699 thousand, respectively. According to the contract, if the notes receivable are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance, as the Group has not transferred the significant risks and rewards relating to these notes receivable.

As of December 31, 2020 and 2019, the carrying amount of the notes receivable that have been transferred but have not been derecognized was \$34,185 thousand and \$93,460 thousand, respectively, and the carrying amount of the related liabilities (refer to Note 13) was \$34,185 thousand and \$93,460 thousand, respectively.

23. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
Tay Lian Electronics Limited	Related party in substance

b. Other payables

<u>Related Party</u>	<u>December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Tay Lian Electronics Limited	<u>\$ 12,342</u>	<u>100</u>	<u>\$ 16,245</u>	<u>100</u>

c. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Salaries and short-term employee benefits	\$ 59,146	\$ 53,365
Post-employment benefits	<u>1,168</u>	<u>1,135</u>
	<u>\$ 60,314</u>	<u>\$ 54,500</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 961,465	\$ 978,565
Buildings	5,830	21,385
Notes receivable	<u>34,185</u>	<u>93,460</u>
	<u>\$ 1,001,480</u>	<u>\$ 1,093,410</u>

Land and buildings were recorded as property, plant and equipment.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	December 31					
	2020			2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 30,228	28.4800	\$ 860,886	\$ 29,623	29.9800	\$ 888,109
EUR	1,065	35.0200	37,304	1,169	33.5900	39,258
RMB	176,642	4.3770	773,160	196,269	4.3050	844,940
<u>Financial liabilities</u>						
Monetary items						
USD	9,587	28.4800	273,045	6,838	29.9800	205,014
RMB	20,160	4.3770	88,241	17,060	4.3050	73,442
EUR	104	35.0200	3,656	252	33.5900	8,475

The Group is mainly exposed to the USD and RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (18,827)	1 (NTD:NTD)	\$ (38,158)
RMB	4.377 (RMB:NTD)	(3,885)	4.305 (RMB:NTD)	(640)
VND	0.001 (VND:NTD)	(3,037)	0.0012 (VND:NTD)	(3,447)
IDR	0.002 (IDR:NTD)	(5,013)	0.0022 (IDR:NTD)	5,159
HKD	3.673 (HKD:NTD)	-	3.849 (HKD:NTD)	(27)
		<u>\$ (30,762)</u>		<u>\$ (37,113)</u>

26. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments: The Company entered into copper option contracts with Citi (Taiwan) Commercial Bank as derivative financial instruments for which hedge accounting was not applied. Net gain on financial assets at fair value through profit and loss was \$4,815 thousand. The relevant contracts were settled in September 2020 and the amount was received on October 15, 2020.
 - 10) Intercompany relationships and significant intercompany transactions. (Table 6)
 - 11) Information on investees. (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 2 and 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.

Disposal of property, plant and equipment

Related Parties	Net Disposal Proceeds		Unrealized Profit and Loss	
	2020	2019	2020	2019
Hulane Nanjing	\$ 3,596	\$ 6,175	\$ 232	\$ 975
Hulane Vietnam	4,106	-	238	-
PT. Hulane Tech				
Manufacturing	79	5,070	9	232
Dongguan Hulane	<u>2,962</u>	<u>3,321</u>	<u>489</u>	<u>573</u>
	<u>\$ 10,743</u>	<u>\$ 14,566</u>	<u>\$ 968</u>	<u>\$ 1,780</u>

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

27. SEGMENT INFORMATION

The Group makes operating decisions based on the information of the Group as a whole; thus, the Group is treated as a single operating segment, and there is no need to disclose the financial information of operating segments.

- a. Revenue from major products and services

The major products of the Group are connectors.

- b. Geographical information

The Group operates in two principal geographical areas - China and Asia.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
China	\$ 2,730,238	\$ 2,794,697	\$ 1,294,534	\$ 1,266,954
Asia	<u>923,035</u>	<u>996,582</u>	<u>2,060,783</u>	<u>1,940,577</u>
	<u>\$ 3,653,272</u>	<u>\$ 3,791,279</u>	<u>\$ 3,355,117</u>	<u>\$ 3,207,531</u>

Non-current assets exclude deferred tax assets.

- c. Information about major customers

No single customer contributed 10% or more to the Group's revenue for 2018. Single customer contributing 10% or more to the Group's revenue for 2019 was as follows:

	For the Year Ended December 31	
	2020	2019
Customer A	<u>\$ 414,910</u>	<u>\$ 401,055</u>

TABLE 1

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	Hu Lane Associate Inc.	PT. Hulane Tech. Manufacturing	Other receivables from related parties	Yes	\$ 14,240 (US\$ 500)	\$ 14,240 (US\$ 500)	\$ 14,240 (US\$ 500)	5%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 230,181 (Note 2)	\$ 1,841,449 (Note 2)	Parent company
1	Evervalue Investments Limited	Dongguan Hulane Electronics Technology	Other receivables from related parties	Yes	14,240 (US\$ 500)	-	-	3%	Short-term financing	-	Operations	-	None	-	1,072,580 (Note 3)	1,072,580 (Note 3)	Investee
2	Telford Investments Limited	Dongguan Hulane Electronics Technology	Other receivables from related parties	Yes	14,240 (US\$ 500)	-	-	3%	Short-term financing	-	Operations	-	None	-	159,726 (Note 4)	159,726 (Note 4)	Investee
3	Evervalue Investments Limited	PT. Hulane Tech. Manufacturing	Other receivables from related parties	Yes	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	2%	Short-term financing	-	Operations	-	None	-	268,145 (Note 3)	268,145 (Note 3)	Investee
4	Evervalue Investments Limited	Hu Lane Electronics (Vietnam) Limited	Other receivables from related parties	Yes	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	28,480 (US\$ 1,000)	2%	Short-term financing	-	Operations	-	None	-	268,145 (Note 3)	268,145 (Note 3)	Investee

- Note 1: According to the operating procedures of Hu Lane Associate Inc.'s financing provided to others, the limitations on borrowers and total amount of financing are as follows:
- a. The total amount of Hu Lane Associate Inc.'s financing to others does not exceed 5% of net value of Hu Lane Associate Inc.
 - b. For those companies that have business transactions with Hu Lane Associate Inc., the total amount of financing provided does not exceed 20% of net value of Hu Lane Associate Inc., and the financing amount of individual borrower does not exceed the amount of transactions with Hu Lane Associate Inc. in the previous 12 months.
 - c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Hu Lane Associate Inc., including the subsidiaries of which more than 90% of its shares is held by Hu Lane Associate Inc. The rest is limited by 10% of current net value of Hu Lane Associate Inc.
- Note 2: According to the operating procedures of Evervalue Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:
- a. The total amount of Evervalue Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.
 - b. For those companies that have business transactions with Evervalue Investments Limited, the total amount of financing provided does not exceed 20% of net value of Evervalue Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Evervalue Investments Limited in the previous 12 months.
 - c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Evervalue Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Evervalue Investments Limited. The rest is limited by 10% of current net value of Evervalue Investments Limited.
- Note 3: According to the operating procedures of Telford Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:
- a. The total amount of Telford Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.
 - b. For those companies that have business transactions with Telford Investments Limited, the total amount of financing provided does not exceed 20% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Telford Investments Limited in the previous 12 months.
 - c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Telford Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Telford Investments Limited. The rest is limited by 10% of current net value of Telford Investments Limited.
 - d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided does not exceed 100% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed 100% of net value of Telford Investments Limited.

TABLE 2

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	Hu Lane Associate Inc.	Evervalue Investments Limited	Subsidiary of which more than 50% of its shares is held by the investor	\$ 920,724	\$ 85,440	\$ 85,440 (US\$ 3,000)	\$ -	\$ -	1.86	\$ 1,841,449	Y	N	N
		Dongguan Hulane Puguang Trading Co., Ltd.	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	460,362	273,710	273,710 (US\$ 5,000) (RMB 30,000)	-	-	5.95	1,841,449	Y	N	Y
		Hulane Electronics (Vietnam) Limited	Subsidiary of which more than 50% of its shares is held by the investor	920,724	56,960	56,960 (US\$ 2,000)	-	-	1.24	1,841,449	Y	N	N

Note 1: The amount of endorsements or guarantee of Hu Lane Associate Inc. does not exceed 20% of current net value on the financial statements to a single company, excluding the subsidiaries of which more than 90% of its shares is held by Hu Lane Associate Inc. The rest is limited by 10% of current net value of Hu Lane Associate Inc.

Note 2: The cumulative amount of Hu Lane Associate Inc.'s endorsements does not exceed 40% of current net value on the financial statements.

TABLE 3

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Hu Lane Associate Inc.	<u>Domestic listed shares</u> Chia Chang Co., Limited	-	Financial assets at fair value through profit or loss - current	10,451	\$ 397	-	\$ 397	

TABLE 4

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	Sale	\$ (968,749)	(79)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	\$ 810,341	92	
	Hu Lane Associate Inc.	Parent company	Sale	(180,407)	(15)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	34,507	4	
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	Sale	(1,146,478)	(72)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	933,716	87	
	Hu Lane Associate Inc.	Parent company	Sale	(301,399)	(19)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	34,946	3	
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	Sale	(706,442)	(40)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	627,130	66	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Purchase	706,442	29	365 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practice	(627,130)	(78)	
Dongguan Hulane Puguang Trading Co., Ltd.	Hulane Electronics (Nanjing) Limited	Related party in substance	Purchase	968,749	44	90 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practice	(810,341)	(46)	
Hu Lane Associate Inc.	Hulane Electronics (Nanjing) Limited	Subsidiary	Purchase	180,407	16	90 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	(34,507)	(15)	
	Dongguan Hulane Electronics Technology	Subsidiary	Purchase	301,399	27	90 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	(34,946)	(16)	
Dongguan Hulane Puguang Trading Co., Ltd.	Dongguan Hulane Electronics Technology	Related party in substance	Purchase	1,146,478	53	90 days	Not significantly different from general customers	Credit conditions adjusted based on China’s trading practices	(933,716)	(53)	

TABLE 5

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	\$ 810,341	1.33	\$ -	-	\$ 335,940	\$ -
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	933,716	1.37	-	-	189,270	-
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	627,130	1.09	-	-	130,787	-

TABLE 6

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	Hu Lane Associate Inc.	Hulane Electronics (Nanjing) Limited	Parent company to subsidiary	Purchase	\$ 180,407	Based on general terms	5
		Hulane Electronics (Nanjing) Limited	Parent company to subsidiary	Trade payables to related parties	34,507	Regular settlement or debit-credit offset	0
		Hulane Electronics (Nanjing) Limited	Parent company to subsidiary	Other receivables	38,672	Regular settlement or debit-credit offset	1
		Hulane Electronics (Nanjing) Limited	Parent company to subsidiary	Other income	31,472	Based on general terms	1
		Dongguan Hulane Puquang Trading Limited	Parent company to subsidiary	Trade receivables from related parties	19,549	Regular settlement or debit-credit offset	0
		PT. Hulane Tech Manufacturing	Parent company to subsidiary	Trade receivables from related parties	30,745	Regular settlement or debit-credit offset	0
		PT. Hulane Tech Manufacturing	Parent company to subsidiary	Other receivables	24,349	Regular settlement or debit-credit offset	0
		PT. Hulane Tech Manufacturing	Parent company to subsidiary	Sales	33,353	Based on general terms	1
		Hulane Electronics (Vietnam) Limited	Parent company to subsidiary	Purchase	29,959	Based on general terms	1
		Hulane Electronics (Vietnam) Limited	Parent company to subsidiary	Sales	24,904	Based on general terms	1
		Hulane Electronics (Vietnam) Limited	Parent company to subsidiary	Trade receivables from related parties	13,506	Regular settlement or debit-credit offset	0
		Hulane Electronics (Vietnam) Limited	Parent company to subsidiary	Trade payables to related parties	10,207	Regular settlement or debit-credit offset	0
		Hulane Electronics (Vietnam) Limited	Parent company to subsidiary	Other receivables	33,684	Regular settlement or debit-credit offset	0
		Dongguan Hulane Electronics Technology	Parent company to subsidiary	Trade receivables from related parties	627,130	Regular settlement or debit-credit offset	9
		Dongguan Hulane Electronics Technology	Parent company to subsidiary	Other receivables	50,482	Regular settlement or debit-credit offset	1
		Dongguan Hulane Electronics Technology	Parent company to subsidiary	Trade payables to related parties	34,946	Regular settlement or debit-credit offset	0
		Dongguan Hulane Electronics Technology	Parent company to subsidiary	Sales	706,442	Based on general terms	19
		Dongguan Hulane Electronics Technology	Parent company to subsidiary	Purchase	301,399	Based on general terms	8
		Dongguan Hulane Electronics Technology	Parent company to subsidiary	Other income	37,071	Based on general terms	1
1	Evervalue Investments Limited	PT. Hulane Tech Manufacturing	Subsidiaries to subsidiaries	Other receivables	28,613	Regular settlement or debit-credit offset	0
		Hulane Electronics (Vietnam) Limited	Subsidiaries to subsidiaries	Other receivables	28,792	Regular settlement or debit-credit offset	0
2	Telford Investments Limited	Hulane Electronics (Vietnam) Limited	Subsidiaries to subsidiaries	Purchase	35,054	Based on general terms	1
3	Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiaries to subsidiaries	Sales	968,749	Based on general terms	27
		Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiaries to subsidiaries	Trade receivables from related parties	810,341	Regular settlement or debit-credit offset	12
		Dongguan Hulane Electronics Technology	Subsidiaries to subsidiaries	Purchase	57,837	Based on general terms	2
		Dongguan Hulane Electronics Technology	Subsidiaries to subsidiaries	Sales	11,082	Based on general terms	0
		Dongguan Hulane Electronics Technology	Subsidiaries to subsidiaries	Trade payables from related parties	16,905	Regular settlement or debit-credit offset	0
4	Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiaries to subsidiaries	Trade receivables from related parties	933,716	Regular settlement or debit-credit offset	13
		Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiaries to subsidiaries	Sales	1,146,478	Based on general terms	31
		Hulane Electronics (Vietnam) Limited	Subsidiaries to subsidiaries	Trade receivables from related parties	10,390	Regular settlement or debit-credit offset	0
		Hulane Electronics (Vietnam) Limited	Subsidiaries to subsidiaries	Trade payables from related parties	18,658	Regular settlement or debit-credit offset	0
		Hulane Electronics (Vietnam) Limited	Subsidiaries to subsidiaries	Sales	25,931	Based on general terms	1
		Hulane Electronics (Vietnam) Limited	Subsidiaries to subsidiaries	Purchase	16,774	Based on general terms	1

TABLE 7**HU LANE ASSOCIATE INC. AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
Hu Lane Associate Inc.	Evervalue Investments Limited	Offshore Chambers, P.O. Box 217, Apia, Samoa	Investment	\$ 467,557	\$ 467,557	15,520	100.00	\$ 2,598,196	\$ 294,478	\$ 294,478	
	Telford Investments Limited	"	Investment	38,490	38,490	1,034	100.00	159,726	(7,378)	(7,378)	
	Hulane Electronics (Vietnam) Limited	Vietnam	Manufacturing	182,033	182,033	6,300	100.00	170,452	11,062	11,062	
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	15,472	15,472	800	32.00	9,073	3,834	1,227	
Evervalue Investments Limited	Hulane Electronics (Nanjing) Limited	Jiangning District, Nanjing City China	Manufacturing	275,946	275,946	8,500	100.00	1,414,741	136,505	136,505	
	Fortune Master Development Limited	Hong Kong	Investment	277,993	277,993	9,400	100.00	1,058,749	162,862	162,862	
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	36,286	-	1,200	48.00	26,684	3,834	1,840	
Fortune Master Development Limited	Dongguan Hulane Electronics Technology	Dalant Town, Dongguan City, Guangdong Province, China	Manufacturing	236,287	236,287	8,000	100.00	916,429	118,496	118,496	
	Dongguan Hulane Puguang Trading Co., Ltd.	"	Trading	41,706	41,706	1,400	100.00	136,399	41,614	41,614	

TABLE 8

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Hulane Electronics (Nanjing) Limited	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,500	Note	\$ 275,946	\$ -	\$ -	\$ 275,946	\$ 136,505	100.00	\$ 136,505	\$ 1,414,741	\$ -
Dongguan Hulane Electronics Technology	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,000	Note	236,287	-	-	236,287	118,496	100.00	118,496	916,429	-
Dongguan Hulane Puguang Trading Co., Ltd.	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,400	Note	41,706	-	-	41,706	41,614	100.00	41,614	136,399	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
US\$17,900 thousand (NT\$509,792 thousand)	US\$17,900 thousand	US\$97,237 thousand (NT\$2,769,305 thousand)

Note: Investment through companies incorporated in a third region.

TABLE 9

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Investee Company	Transaction Type	Amount	Price	Payment Terms	Comparison with Normal Transaction	Ending Balance	%	Unrealized (Gain) Loss
Hulane Electronics (Nanjing) Limited	Sales Purchase	\$ 1,160,238 89,239	Not significantly different from general customers Not significantly different from general customers	90-270 days 90 days	Not significantly different from general customers Credit conditions adjusted based on China’s trading practices	\$ 851,288 (18,292)	97 (7)	\$ 7,889 -
Dongguan Hulane Puguang Trading Co., Ltd.	Sales Purchase	6,166 2,115,227	Not significantly different from general customers Not significantly different from general customers	90-180 days 180-365 days	Not significantly different from general customers Credit conditions adjusted based on China’s trading practices	23,170 (1,745,558)	1 (99)	41,949 -
Dongguan Hulane Electronics Technology	Sales Purchase	1,531,645 734,462	Not significantly different from general customers Not significantly different from general customers	90-270 days 90-365 days	Not significantly different from general customers Credit conditions adjusted based on China’s trading practices	995,958 (658,250)	93 (82)	30,530 -

Note: All unrealized gains and losses with investee companies in mainland China were eliminated in the consolidated financial statements.

TABLE 10**HU LANE ASSOCIATE INC.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng-Ching Hu	5,775,315	5.79

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.