

**King Slide Works Co., Ltd.**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
King Slide Works Co., Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

The key audit matter identified in the Company's financial statements for the year ended December 31, 2020 is as follows:

#### Recoverability of accounts receivable

As of December 31, 2020, the net amount of accounts receivable of the Company was NT\$265,493 thousand, representing 2% of the Company's total assets. Management estimated the recoverability of accounts receivable based on the IFRS. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of the internal controls relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We verified the existence of the accounts receivable by examination of samples of confirmation letters, collection records after the balance sheets date, and delivery receipts signed by customers or shipping records.
2. We tested the aging schedule prepared by the Company against the supporting documents on a sample basis. We assessed individually the recoverability of overdue accounts or doubtful accounts and also reviewed the reasonableness of the impairment loss based on the historical experience in collection and other available information.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Corporation 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 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 Chen-Li Chen and Chia-Ling Chiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2021

#### Notice to Readers

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

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

# KING SLIDE WORKS CO., LTD.

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,492,360	21	\$ 2,894,097	26
Notes receivable (Notes 4 and 7)	47,658	-	40,477	-
Notes receivable - related parties (Notes 7 and 22)	79,445	1	92,527	1
Accounts receivable, net (Notes 4, 5 and 7)	265,493	2	238,209	2
Accounts receivable - related parties (Notes 7 and 22)	48,107	1	55,617	1
Other receivables	1,597	-	4,913	-
Other receivables - related parties (Note 22)	1,077	-	3,279	-
Inventories (Notes 4 and 8)	168,376	2	164,319	1
Other current assets	15,310	-	20,071	-
Total current assets	3,119,423	27	3,513,509	31
<b>NONCURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 9)	8,145,485	69	7,379,944	65
Property, plant and equipment (Notes 4, 10 and 23)	422,567	4	373,866	3
Software (Note 4)	2,046	-	2,654	-
Deferred tax assets (Notes 4 and 18)	45,496	-	37,606	-
Prepayments for equipment	-	-	39,254	1
Refundable deposits	281	-	281	-
Total noncurrent assets	8,615,875	73	7,833,605	69
<b>TOTAL</b>	<b>\$ 11,735,298</b>	<b>100</b>	<b>\$ 11,347,114</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable (Note 11)	\$ 106,532	1	\$ 99,390	1
Notes payable - related parties (Notes 11 and 22)	22,518	-	26,282	-
Accounts payable (Note 11)	33,568	-	33,008	-
Accounts payable - related parties (Notes 11 and 22)	20,493	-	24,281	-
Other payables (Note 12)	247,803	2	263,964	3
Other payable - related parties (Note 22)	260	-	14	-
Current tax liabilities (Notes 4 and 18)	94,573	1	81,408	1
Refund liability - current (Note 13)	3,393	-	3,092	-
Other current liabilities	6,075	-	10,669	-
Total current liabilities	535,215	4	542,108	5
<b>NONCURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 18)	47,090	1	48,431	1
Net defined benefit liabilities (Notes 4 and 14)	31,952	-	36,038	-
Total noncurrent liabilities	79,042	1	84,469	1
Total liabilities	614,257	5	626,577	6
<b>EQUITY (Note 15)</b>				
Ordinary shares	952,971	8	952,971	8
Capital surplus	796,691	7	796,691	7
Retained earnings				
Legal reserve	1,319,444	11	1,163,619	10
Special reserve	7,670	-	6,221	-
Unappropriated earnings	8,053,484	69	7,808,705	69
Total retained earnings	9,380,598	80	8,978,545	79
Other equity				
Exchange differences on translating the financial statements of foreign operations	(9,219)	-	(7,670)	-
Total equity	11,121,041	95	10,720,537	94
<b>TOTAL</b>	<b>\$ 11,735,298</b>	<b>100</b>	<b>\$ 11,347,114</b>	<b>100</b>

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

# KING SLIDE WORKS CO., LTD.

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 13, 16 and 22)	\$ 1,835,129	100	\$ 1,981,482	100
OPERATING COSTS (Notes 8, 17 and 22)	<u>1,192,362</u>	<u>65</u>	<u>1,282,886</u>	<u>65</u>
GROSS PROFIT	642,767	35	698,596	35
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(2,613)	-	(1,513)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>1,513</u>	<u>-</u>	<u>1,661</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>641,667</u>	<u>35</u>	<u>698,744</u>	<u>35</u>
OPERATING EXPENSES (Notes 7, 17 and 22)				
Selling and marketing	75,007	4	94,947	5
General and administrative	88,001	5	91,279	5
Research and development	102,584	6	109,072	5
Expected credit loss recognized (reversed)	<u>(578)</u>	<u>-</u>	<u>54</u>	<u>-</u>
Total operating expenses	<u>265,014</u>	<u>15</u>	<u>295,352</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>376,653</u>	<u>20</u>	<u>403,392</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES (Notes 17 and 22)				
Other gains and losses	(115,120)	(6)	(36,718)	(2)
Interest income	20,782	1	57,747	3
Share of profit of subsidiaries	<u>968,578</u>	<u>53</u>	<u>1,252,716</u>	<u>63</u>
Total non-operating income and expenses	<u>874,240</u>	<u>48</u>	<u>1,273,745</u>	<u>64</u>
PROFIT BEFORE INCOME TAX	1,250,893	68	1,677,137	84
INCOME TAX EXPENSE (Notes 4 and 18)	<u>86,304</u>	<u>5</u>	<u>118,887</u>	<u>6</u>
NET PROFIT FOR THE YEAR	<u>1,164,589</u>	<u>63</u>	<u>1,558,250</u>	<u>78</u>

(Continued)

# KING SLIDE WORKS CO., LTD.

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 14 and 18)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (199)	-	\$ (4,401)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>40</u>	<u>-</u>	<u>880</u>	<u>-</u>
	<u>(159)</u>	<u>-</u>	<u>(3,521)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(1,937)	-	(4,276)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>388</u>	<u>-</u>	<u>855</u>	<u>-</u>
	<u>(1,549)</u>	<u>-</u>	<u>(3,421)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(1,708)</u>	<u>-</u>	<u>(6,942)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,162,881</u>	<u>63</u>	<u>\$ 1,551,308</u>	<u>78</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 12.22</u>		<u>\$ 16.35</u>	
Diluted	<u>\$ 12.14</u>		<u>\$ 16.32</u>	

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

(Concluded)

# KING SLIDE WORKS CO., LTD.

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

			Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2019	\$ 952,971	\$ 796,691	\$ 986,023	\$ 6,221	\$ 7,336,894	\$ (4,249)	\$ 10,074,551
Appropriation of 2018 earnings (Note 15)							
Legal reserve	-	-	177,596	-	(177,596)	-	-
Cash dividends distributed by the Company	-	-	-	-	(905,322)	-	(905,322)
	-	-	177,596	-	(1,082,918)	-	(905,322)
Net profit for the year ended December 31, 2019	-	-	-	-	1,558,250	-	1,558,250
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,521)	(3,421)	(6,942)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,554,729	(3,421)	1,551,308
BALANCE AT DECEMBER 31, 2019	952,971	796,691	1,163,619	6,221	7,808,705	(7,670)	10,720,537
Appropriation of 2019 earnings (Note 15)							
Legal reserve	-	-	155,825	-	(155,825)	-	-
Special reserve	-	-	-	1,449	(1,449)	-	-
Cash dividends distributed by the Company	-	-	-	-	(762,377)	-	(762,377)
	-	-	155,825	1,449	(919,651)	-	(762,377)
Net profit for the year ended December 31, 2020	-	-	-	-	1,164,589	-	1,164,589
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(159)	(1,549)	(1,708)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,164,430	(1,549)	1,162,881
BALANCE AT DECEMBER 31, 2020	\$ 952,971	\$ 796,691	\$ 1,319,444	\$ 7,670	\$ 8,053,484	\$ (9,219)	\$ 11,121,041

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



# KING SLIDE WORKS CO., LTD.

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,250,893	\$ 1,677,137
Adjustments for:		
Depreciation expenses	35,333	34,726
Amortization expenses	1,288	813
Expected credit loss recognized (reversed)	(578)	54
Gain on disposal of property, plant and equipment, net	(797)	(1,181)
Interest income	(20,782)	(57,747)
Share of profit of subsidiaries	(968,578)	(1,252,716)
Write-downs (reversal) of inventories	(2,603)	3,406
Unrealized gain on transactions with subsidiaries	2,613	1,513
Realized gain on transactions with subsidiaries	(1,513)	(1,661)
Net loss on foreign currency exchange	57,870	46,472
Changes in operating assets and liabilities		
Notes receivable	(7,181)	(1,710)
Notes receivable - related parties	13,082	(3,984)
Accounts receivable	(26,706)	23,300
Accounts receivable - related parties	7,510	(12,084)
Other receivables	632	1,101
Other receivables - related parties	2,202	(2,097)
Inventories	(1,454)	16,860
Other current assets	4,761	2,049
Notes payable	5,136	(2,514)
Notes payable - related parties	(3,764)	1,416
Accounts payable	560	(440)
Accounts payable - related parties	(3,788)	14,697
Other payables	(19,320)	8,403
Other payables - related parties	246	10
Refund liabilities	301	(2,378)
Other current liabilities	(4,594)	(58)
Net defined benefit liabilities	(4,285)	(6,217)
Cash generated from operations	316,484	487,170
Interest received	23,466	59,698
Dividend income	200,000	200,000
Income tax paid	(81,942)	(129,688)
Net cash generated from operating activities	<u>458,008</u>	<u>617,180</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment accounted for using the equity method	-	(29,431)
Payments for property, plant and equipment	(39,716)	(43,252)
Proceeds from disposal of property, plant and equipment	898	1,181
Decrease in refundable deposits	-	3
Payments for intangible assets	(680)	(1,940)
Net cash used in investing activities	<u>(39,498)</u>	<u>(73,439)</u>

(Continued)

# KING SLIDE WORKS CO., LTD.

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

---

	2020	2019
CASH FLOWS USED IN FINANCING ACTIVITIES		
Cash dividends	\$ <u>(762,377)</u>	\$ <u>(905,322)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(57,870)</u>	<u>(46,472)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(401,737)	(408,053)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,894,097</u>	<u>3,302,150</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,492,360</u>	<u>\$ 2,894,097</u>

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

(Concluded)

# KING SLIDE WORKS CO., LTD.

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

---

### 1. GENERAL INFORMATION

King Slide Works Co., Ltd. (the “Company”) was incorporated in September 1986 under the laws of the Republic of China (ROC). The Company mainly manufactures, processes and sells the following products:

- Rail kits for cloud computing servers and data devices.
- Furniture accessories, slides and molds.

The Company’s shares have been listed on the Taiwan Stock Exchange.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 26, 2021.

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

- a. Initial application of 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 a material impact on the Company’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

As of the date the financial statements were authorized for issue, the Company assessed that the application of standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“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 Noncurrent”	January 1, 2023
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.

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

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

- a. Statement of compliance

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

b. Basis of preparation

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries. In order for the amount of net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to “investments accounted for using the equity method”, “share of profit or loss of subsidiaries”, “share of other comprehensive loss of subsidiaries accounted for using the equity method” in the parent company only financial statements.

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

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

d. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated subsequently.

For the purpose of presenting the financial statements, the functional currencies of the Company's foreign operations 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 year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

Subsidiaries are the entities controlled by the Company.

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

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

g. Property, plant and equipment

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

Freehold land is not depreciated.

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.

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

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

h. Intangible assets

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

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

i. Impairment of property, plant and equipment and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

a) Measurement categories

Financial assets are classified into financial assets at amortized cost.

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

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

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

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

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

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

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

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

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

The financial liabilities held by the Company are measured at amortized cost using the effective interest method.



b) Derecognition of financial liabilities

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

k. Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

l. Leases

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

When the Company is as a lessee, the Company applies the recognition exemption for the short-term leases and low-value asset leases, and the lease payments are recognized as expenses on a straight-line basis over the lease terms.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling 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 other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

n. Taxation

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

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax 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.

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

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

3) Current and deferred taxes for the year

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

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

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

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

### Key sources of estimation uncertainty

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, refer to Note 7.

## **6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 99	\$ 171
Checking accounts and demand deposits	455,389	876,939
Cash equivalents (investments with original maturities of 3 months or less)		
Commercial papers	384,605	227,565
Time deposits	<u>1,652,267</u>	<u>1,789,422</u>
	<u>\$ 2,492,360</u>	<u>\$ 2,894,097</u>

The market interest rates of cash equivalents at the end of the reporting year were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial papers (%)	0.27	0.42
Time deposits (%)	0.20-1.90	0.60-2.20

The Company dealt with many creditworthy financial institutions to disperse credit risk, therefore there was no expected credit loss.

## **7. NOTES, ACCOUNTS AND OVERDUE RECEIVABLE, NET**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<hr/> Notes receivable - non-related parties <hr/>		
At amortized cost		
Operating	\$ 47,648	\$ 40,470
Non-operating	<u>10</u>	<u>7</u>
	<u>\$ 47,658</u>	<u>\$ 40,477</u>
<hr/> Notes receivable - related parties (Note 22) <hr/>		
At amortized cost		
Operating	\$ 79,445	\$ 91,193
Non-operating	<u>-</u>	<u>1,334</u>
	<u>\$ 79,445</u>	<u>\$ 92,527</u>

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<hr/> <b>Accounts receivable - non-related parties</b> <hr/>		
At amortized cost		
Gross carrying amount	\$ 266,023	\$ 239,317
Less: Allowance for impairment loss	<u>530</u>	<u>1,108</u>
	<u><u>\$ 265,493</u></u>	<u><u>\$ 238,209</u></u>
<hr/> <b>Accounts receivable - related parties (Note 22)</b> <hr/>		
At amortized cost		
Operating	<u>\$ 48,107</u>	<u>\$ 55,617</u>
<hr/> <b>Overdue receivables</b> <hr/>		
Non-accrual loan	\$ 1,213	\$ 1,213
Less: Allowance for impairment loss	<u>1,213</u>	<u>1,213</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
		(Concluded)

The average credit period of sales of goods was 30-150 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

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

There were no notes receivable that were past due or impaired at the end of the reporting year.

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

a. December 31, 2020

	<b>Not Past Due</b>	<b>Past Due 1 to 60 Days</b>	<b>Past Due 61 to 90 Days</b>	<b>Past Due 91 to 120 Days</b>	<b>Past Due Over 120 Days</b>	<b>Total</b>
Expected credit loss rate (%)	0-0.1	1	10	50	100	-
Gross carrying amount	\$ 288,353	\$ 25,734	\$ -	\$ 32	\$ 11	\$ 314,130
Loss allowance (Lifetime ECL)	<u>(246)</u>	<u>(257)</u>	<u>-</u>	<u>(16)</u>	<u>(11)</u>	<u>(530)</u>
Amortized cost	<u><u>\$ 288,107</u></u>	<u><u>\$ 25,477</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 313,600</u></u>

b. December 31, 2019

	Not Past Due	Past Due 1 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due Over 120 Days	Total
Expected credit loss rate (%)	0-0.1	0-1	10	50	100	-
Gross carrying amount	\$ 227,405	\$ 64,239	\$ 3,288	\$ 2	\$ -	\$ 294,934
Loss allowance (Lifetime ECL)	<u>(179)</u>	<u>(599)</u>	<u>(329)</u>	<u>(1)</u>	<u>-</u>	<u>(1,108)</u>
Amortized cost	<u>\$ 227,226</u>	<u>\$ 63,640</u>	<u>\$ 2,959</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 293,826</u>

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

	Accounts Receivable	Overdue Receivable	Total
Balance at January 1, 2020	\$ 1,108	\$ 1,213	\$ 2,321
Impairment losses reversed	<u>(578)</u>	<u>-</u>	<u>(578)</u>
Balance at December 31, 2020	<u>\$ 530</u>	<u>\$ 1,213</u>	<u>\$ 1,743</u>
Balance at January 1, 2019	\$ 1,054	\$ 1,213	\$ 2,267
Impairment losses recognized	<u>54</u>	<u>-</u>	<u>54</u>
Balance at December 31, 2019	<u>\$ 1,108</u>	<u>\$ 1,213</u>	<u>\$ 2,321</u>

## 8. INVENTORIES

	December 31	
	2020	2019
Finished goods	\$ 32,473	\$ 45,615
Work-in-process	43,225	29,504
Raw materials	87,822	86,074
Supplies	4,842	3,092
Merchandise	<u>14</u>	<u>34</u>
	<u>\$ 168,376</u>	<u>\$ 164,319</u>

The cost of inventories recognized as costs of goods sold was \$1,192,362 thousand and \$1,282,886 thousand for the years ended December 31, 2020 and 2019, respectively, which included the following items:

	For the Year Ended December 31	
	2020	2019
Write-downs (reverses)	\$ (2,603)	\$ 3,406
Income from sale of scraps	<u>(18,593)</u>	<u>(21,550)</u>
	<u>\$ (21,196)</u>	<u>\$ (18,144)</u>

## 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Unlisted company		
King Slide Technology Co., Ltd.	\$ 7,989,127	\$ 7,222,849
King Slide (Samoa) Co., Ltd.	119,244	117,414
King Slide USA, Inc.	<u>37,114</u>	<u>39,681</u>
	<u>\$ 8,145,485</u>	<u>\$ 7,379,944</u>

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were recognized based on the subsidiaries' financial statements which have been audited. Refer to Table 3 on "Information on Investees".

## 10. PROPERTY, PLANT AND EQUIPMENT

a. Movements of cost and accumulated depreciation are as follows:

### For the year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Property under Construction	Total
Cost								
Balance at January 1, 2020	\$ 226,670	\$ 198,567	\$ 775,355	\$ 6,171	\$ 37,226	\$ 88,565	\$ -	\$ 1,332,554
Additions	-	2,161	21,263	-	2,420	3,469	54,822	84,135
Disposals	-	-	(15,496)	-	(1,586)	(1,118)	-	(18,200)
Balance at December 31, 2020	<u>\$ 226,670</u>	<u>\$ 200,728</u>	<u>\$ 781,122</u>	<u>\$ 6,171</u>	<u>\$ 38,060</u>	<u>\$ 90,916</u>	<u>\$ 54,822</u>	<u>\$ 1,398,489</u>
Accumulated depreciation								
Balance at January 1, 2020	\$ -	\$ (139,966)	\$ (710,322)	\$ (2,151)	\$ (34,027)	\$ (72,222)	\$ -	\$ (958,688)
Depreciation expense	-	(5,565)	(23,434)	(907)	(1,689)	(3,738)	-	(35,333)
Disposals	-	-	15,396	-	1,586	1,117	-	18,099
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (145,531)</u>	<u>\$ (718,360)</u>	<u>\$ (3,058)</u>	<u>\$ (34,130)</u>	<u>\$ (74,843)</u>	<u>\$ -</u>	<u>\$ (975,922)</u>
Carrying amounts at December 31, 2020	<u>\$ 226,670</u>	<u>\$ 55,197</u>	<u>\$ 62,762</u>	<u>\$ 3,113</u>	<u>\$ 3,930</u>	<u>\$ 16,073</u>	<u>\$ 54,822</u>	<u>\$ 422,567</u>

### For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Total
Cost							
Balance at January 1, 2019	\$ 226,670	\$ 197,920	\$ 766,003	\$ 4,715	\$ 36,289	\$ 85,222	\$ 1,316,819
Additions	-	647	23,818	3,260	1,053	3,899	32,677
Disposals	-	-	(14,466)	(1,804)	(116)	(556)	(16,942)
Balance at December 31, 2019	<u>\$ 226,670</u>	<u>\$ 198,567</u>	<u>\$ 775,355</u>	<u>\$ 6,171</u>	<u>\$ 37,226</u>	<u>\$ 88,565</u>	<u>\$ 1,332,554</u>
Accumulated depreciation							
Balance at January 1, 2019	\$ -	\$ (134,196)	\$ (701,944)	\$ (3,367)	\$ (32,207)	\$ (69,190)	\$ (940,904)
Depreciation expense	-	(5,770)	(22,844)	(588)	(1,936)	(3,588)	(34,726)
Disposals	-	-	14,466	1,804	116	556	16,942
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (139,966)</u>	<u>\$ (710,322)</u>	<u>\$ (2,151)</u>	<u>\$ (34,027)</u>	<u>\$ (72,222)</u>	<u>\$ (958,688)</u>
Carrying amounts at December 31, 2019	<u>\$ 226,670</u>	<u>\$ 58,601</u>	<u>\$ 65,033</u>	<u>\$ 4,020</u>	<u>\$ 3,199</u>	<u>\$ 16,343</u>	<u>\$ 373,866</u>

b. Estimated useful lives

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Plant	10 years
Office	50 years
Others	5-35 years
Machinery and equipment	
Molding	8 years
Electroplating	8 years
Others	2-11 years
Transportation equipment	5 years
Office equipment	2-15 years
Others	
Crane	10 years
ASRS	10 years
Others	3-20 years

c. Investing activities affecting both cash and non-cash items

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Acquisition of property, plant and equipment	\$ 84,135	\$ 32,677
Increase (decrease) in prepayments for equipment	(39,254)	4,696
Decrease (increase) in payables for purchased equipment	<u>(5,165)</u>	<u>5,879</u>
Cash paid	<u>\$ 39,716</u>	<u>\$ 43,252</u>

**11. NOTES PAYABLE AND ACCOUNTS PAYABLE**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<hr/> Notes payable - non-related parties <hr/>		
Operating	\$ 103,954	\$ 98,818
Non-operating	<u>2,578</u>	<u>572</u>
	<u>\$ 106,532</u>	<u>\$ 99,390</u>
<hr/> Notes payable - related parties (Note 22) <hr/>		
Operating	<u>\$ 22,518</u>	<u>\$ 26,282</u>
<hr/> Accounts payable - non-related parties <hr/>		
Operating	<u>\$ 33,568</u>	<u>\$ 33,008</u>
<hr/> Accounts payable - related parties (Note 22) <hr/>		
Operating	<u>\$ 20,493</u>	<u>\$ 24,281</u>

a. Notes payable

The Company's notes payable from non-operating activities were used for acquisition of property, plant and equipment.

b. Accounts payable

The average credit period of purchasing materials and supplies was 30-90 days. The Company has a financial risk management policy to ensure that payables are paid within the pre-agreed credit terms.

## 12. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Payables for compensation of employees and remuneration of directors and supervisors	\$ 116,318	\$ 143,555
Payables for salaries and bonuses	84,328	72,195
Others	<u>47,157</u>	<u>48,214</u>
	<u>\$ 247,803</u>	<u>\$ 263,964</u>

## 13. REFUND LIABILITY

The refund liability was estimated based on historical experience, management's judgments and other known reasons and was recognized as a reduction of operating revenue in the year of the related goods were sold. As of December 31, 2020 and 2019, the Company's estimated refund liability were \$3,393 thousand and \$3,092 thousand, respectively.

## 14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. 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 2.4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.



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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 86,349	\$ 84,980
Fair value of plan assets	<u>(50,821)</u>	<u>(42,979)</u>
Deficit	35,528	42,001
Including in other payables	<u>(3,576)</u>	<u>(5,963)</u>
Net defined benefit liabilities	<u>\$ 31,952</u>	<u>\$ 36,038</u>

Movements in net defined benefit liabilities were as follow:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 78,139</u>	<u>\$ (38,724)</u>	<u>\$ 39,415</u>
Service cost			
Current service cost	278	-	278
Net interest expense (income)	<u>880</u>	<u>(442)</u>	<u>438</u>
Recognized in profit or loss	<u>1,158</u>	<u>(442)</u>	<u>716</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,282)	(1,282)
Actuarial loss - changes in demographic assumptions	837	-	837
Actuarial loss - changes in financial assumptions	3,339	-	3,339
Actuarial loss - experience adjustments	<u>1,507</u>	<u>-</u>	<u>1,507</u>
Recognized in other comprehensive income	<u>5,683</u>	<u>(1,282)</u>	<u>4,401</u>
Contributions from the employer	<u>-</u>	<u>(2,531)</u>	<u>(2,531)</u>
Balance at December 31, 2019	<u>84,980</u>	<u>(42,979)</u>	<u>42,001</u>
Service cost			
Current service cost	293	-	293
Net interest expense (income)	<u>637</u>	<u>(349)</u>	<u>288</u>
Recognized in profit or loss	<u>930</u>	<u>(349)</u>	<u>581</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,384)	(1,384)
Actuarial loss - changes in demographic assumptions	426	-	426
Actuarial loss - changes in financial assumptions	2,179	-	2,179
Actuarial gain - experience adjustments	<u>(1,022)</u>	<u>-</u>	<u>(1,022)</u>
Recognized in other comprehensive income	<u>1,583</u>	<u>(1,384)</u>	<u>199</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Contributions from the employer	\$ <u>        -</u>	\$ <u>(7,253)</u>	\$ <u>(7,253)</u>
Benefits paid	<u>(1,144)</u>	<u>1,144</u>	<u>        -</u>
Balance at December 31, 2020	\$ <u>86,349</u>	\$ <u>(50,821)</u>	\$ <u>35,528</u> (Concluded)

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the 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 purpose of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate (%)	0.50	0.75
Expected rate of salary increase (%)	2.00	2.00

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	\$ <u>(2,182)</u>	\$ <u>(2,256)</u>
0.25% decrease	\$ <u>2,264</u>	\$ <u>2,344</u>
		(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,191</u>	<u>\$ 2,274</u>
0.25% decrease	<u>\$ (2,124)</u>	<u>\$ (2,201)</u>
		(Concluded)

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plan for the next year	<u>\$ 5,023</u>	<u>\$ 7,009</u>
Average duration of the defined benefit obligation	10.2 years	10.7 years

## 15. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized (in thousands)	<u>138,000</u>	<u>138,000</u>
Shares authorized	<u>\$ 1,380,000</u>	<u>\$ 1,380,000</u>
Number of shares issued and fully paid (in thousands)	<u>95,297</u>	<u>95,297</u>
Shares issued	<u>\$ 952,971</u>	<u>\$ 952,971</u>

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

### b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Arising from issuance of ordinary shares	\$ 794,341	\$ 794,341
Arising from treasury share transactions	<u>2,350</u>	<u>2,350</u>
	<u>\$ 796,691</u>	<u>\$ 796,691</u>

The above-mentioned capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's articles of incorporation, 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 until the legal reserve equals to the Company's paid-in capital, 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 bonus as to shareholders.

The Company's dividend policy is in line with the current and future development plans, environment, capital needs and domestic and international competition in order to promote shareholders' interests. Thus, the Company may retain some of its earnings according to the Company's operation, and the residual earnings may be distributed in cash or shares. However, cash dividends should be at least 10% of the total dividends distributed.

The legal reserve may be used to offset. 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 in 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. On the first-time adoption of IFRSs, the Company appropriated \$ 6,221 thousand to the special reserve for the increase in retained earnings in the conversion to IFRSs.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 30, 2020 and June 26, 2019, respectively. The appropriations of earnings for 2019 and 2018 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 155,825	\$ 177,596		
Special reserve	1,449	-		
Cash dividends	<u>762,377</u>	<u>905,322</u>	<u>\$ 8.0</u>	<u>\$ 9.5</u>
	<u>\$ 919,651</u>	<u>\$ 1,082,918</u>		

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on February 26, 2021. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 116,443	
Special reserve	1,549	
Cash dividends	<u>583,218</u>	<u>\$ 6.1</u>
	<u>\$ 701,210</u>	

The appropriation of earnings for 2020 are subject to the resolution in the shareholders' meeting to be held on June 29, 2021.

## 16. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 1,827,579	\$ 1,973,699
Processing	<u>7,550</u>	<u>7,783</u>
	<u>\$ 1,835,129</u>	<u>\$ 1,981,482</u>

### a. Contract balances

	<b>December 31</b>		<b>January 1</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
Notes and accounts receivable (Note 7)	<u>\$ 440,693</u>	<u>\$ 425,489</u>	<u>\$ 431,785</u>

### b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Type of goods		
Rail kits	\$ 1,351,047	\$ 1,515,582
Others	<u>484,082</u>	<u>465,900</u>
	<u>\$ 1,835,129</u>	<u>\$ 1,981,482</u>

## 17. NET PROFIT

### a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange losses, net	\$ (122,458)	\$ (47,910)
Sample income	2,034	1,674
Mold income	1,129	3,809
Others	<u>4,175</u>	<u>5,709</u>
	<u>\$ (115,120)</u>	<u>\$ (36,718)</u>

### b. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 51,497	\$ 111,154
Foreign exchange losses	<u>(173,955)</u>	<u>(159,064)</u>
Foreign exchange losses, net	<u>\$ (122,458)</u>	<u>\$ (47,910)</u>

c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 35,333	\$ 34,726
Intangible assets	<u>1,288</u>	<u>813</u>
	<u>\$ 36,621</u>	<u>\$ 35,539</u>
Analysis of depreciation by function		
Operating costs	\$ 32,692	\$ 31,633
Operating expenses	<u>2,641</u>	<u>3,093</u>
	<u>\$ 35,333</u>	<u>\$ 34,726</u>
Analysis of amortization by function		
Operating expenses	<u>\$ 1,288</u>	<u>\$ 813</u>

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits (Note 14)		
Defined contribution plans	\$ 10,681	\$ 10,861
Defined benefit plans	<u>581</u>	<u>716</u>
	<u>11,262</u>	<u>11,577</u>
Short-term employee benefits	<u>375,085</u>	<u>395,369</u>
	<u>\$ 386,347</u>	<u>\$ 406,946</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 237,825	\$ 248,410
Operating expenses	<u>148,522</u>	<u>158,536</u>
	<u>\$ 386,347</u>	<u>\$ 406,946</u>

e. Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 1‰ and no higher than 5‰, 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 February 26, 2021 and February 26, 2020, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>%</b>	<b>Cash</b>	<b>%</b>
Compensation of employees	\$ 47,489	3.6	\$ 62,329	3.6
Remuneration of directors and supervisors	6,500	0.5	6,500	0.4

If there is a change in the amounts after the annual 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 financial statements for the years ended December 31, 2019 and 2018.

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

## 18. INCOME TAX

- a. The major components of income tax expense recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 66,414	\$ 95,744
Income tax on unappropriated earnings	30,374	33,782
Adjustments for prior years	<u>(1,681)</u>	<u>(710)</u>
	<u>95,107</u>	<u>128,816</u>
Deferred tax		
In respect of the current year	(9,630)	(11,267)
Adjustments for prior years	<u>827</u>	<u>1,338</u>
	<u>(8,803)</u>	<u>(9,929)</u>
	<u>\$ 86,304</u>	<u>\$ 118,887</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before income tax	<u>\$ 1,250,893</u>	<u>\$ 1,677,137</u>
Income tax expense calculated at the statutory rate (20%)	\$ 250,179	\$ 335,427
Domestic investment income using equity method	(193,255)	(250,950)
Investment credits	(140)	-
Income tax on unappropriated earnings	30,374	33,782
Adjustments for prior years	<u>(854)</u>	<u>628</u>
	<u>\$ 86,304</u>	<u>\$ 118,887</u>

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

b. Income tax benefit recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<hr/>		
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plans	\$ 40	\$ 880
Translation of foreign operations	<u>388</u>	<u>855</u>
	<u>\$ 428</u>	<u>\$ 1,735</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<hr/>		
Current tax liabilities		
Income tax payable	<u>\$ 94,573</u>	<u>\$ 81,408</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<hr/>				
Deferred Tax Assets				
Temporary differences				
Share of profit using equity method	\$ 10,389	\$ (460)	\$ 2,305	\$ 12,234
Unrealized exchange losses	10,946	11,488	-	22,434
Defined benefit liabilities	11,697	(4,631)	40	7,106
Others	<u>4,574</u>	<u>(852)</u>	<u>-</u>	<u>3,722</u>
	<u>\$ 37,606</u>	<u>\$ 5,545</u>	<u>\$ 2,345</u>	<u>\$ 45,496</u>
<hr/>				
Deferred Tax liabilities				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Defined benefit liabilities	3,261	(3,261)	-	-
Exchange differences on translating the financial statements of foreign operations	<u>(1,920)</u>	<u>3</u>	<u>1,917</u>	<u>-</u>
	<u>\$ 48,431</u>	<u>\$ (3,258)</u>	<u>\$ 1,917</u>	<u>\$ 47,090</u>



For the year ended December 31, 2019

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
<u>Deferred Tax Assets</u>				
Temporary differences				
Share of profit using equity method	\$ 9,982	\$ 407	\$ -	\$ 10,389
Unrealized exchange losses	1,147	9,799	-	10,946
Defined benefit liabilities	10,817	-	880	11,697
Others	<u>4,491</u>	<u>83</u>	<u>-</u>	<u>4,574</u>
	<u>\$ 26,437</u>	<u>\$ 10,289</u>	<u>\$ 880</u>	<u>\$ 37,606</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 47,090	\$ -	\$ -	\$ 47,090
Defined benefit liabilities	2,901	360	-	3,261
Exchange differences on translating the financial statements of foreign operations	<u>(1,065)</u>	<u>-</u>	<u>(855)</u>	<u>(1,920)</u>
	<u>\$ 48,926</u>	<u>\$ 360</u>	<u>\$ (855)</u>	<u>\$ 48,431</u>

e. Income tax assessments

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

## 19. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net profit used in the computation of earnings per share		
Effect of potentially dilutive ordinary shares	\$ 1,164,589	\$ 1,558,250
Compensation of employees	<u>(5,513)</u>	<u>-</u>
Net profit used in the computation of diluted earnings per share	<u>\$ 1,159,076</u>	<u>\$ 1,558,250</u>

Weighted average number of ordinary shares outstanding

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	95,297	95,297
Effect of diluted potential ordinary shares		
Employees' compensation	<u>187</u>	<u>207</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>95,484</u>	<u>95,504</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company 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. CAPITAL MANAGEMENT

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

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

## 21. FINANCIAL INSTRUMENTS

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

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

### b. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>		
Measured at amortized cost (Note 1)	\$ 2,936,018	\$ 3,329,400
<b>Financial liabilities</b>		
Measured at amortized cost (Note 2)	431,212	446,977

Note 1: The balances include cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties), and refundable deposits.

Note 2: The balances include notes payable (including related parties), accounts payable (including related parties), other payables (including related parties) and guarantee deposits (included in other current liability).

c. Financial risk management objectives and policies

The Company's treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through analyzing exposures to risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

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

1) Market risk

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

a) Foreign currency risk

The Company has foreign currency sales and purchases, which exposes the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting year are set out in Note 24.

Sensitivity analysis

The Company was mainly exposed to the risk from the fluctuation of USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency rate against the USD. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 20,313	\$ 25,529

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Items of sensitivity analysis included outstanding deposits, receivables and payables.

b) Interest rate risk

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 2,015,942	\$ 1,996,157
Cash flow interest rate risk		
Financial assets	475,863	926,822

#### Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year. 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have been higher/lower by \$4,759 thousand and by \$9,268 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits.

#### 2) Credit risk

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

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

#### 3) Liquidity risk

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

Because the Company's current assets or cash and cash equivalents are much more than current liabilities, the Company have no liquidity risk.

## 22. TRANSACTIONS WITH RELATED PARTIES

### a. Related party name and category

<b>Related Party Name</b>	<b>Related Party Category</b>
King Slide Technology Co., Ltd. (KSTC)	Subsidiary
King Slide USA, Inc. (KSUSA)	Subsidiary
King Slide Technology (China) Co., Ltd. (KSCC)	Subsidiary

b. Sales of goods

Related Party Name	For the Year Ended December 31	
	2020	2019
KSTC	\$ 290,460	\$ 291,313
KSCC	36,501	34,808
KSUSA	<u>65</u>	<u>186</u>
	<u>\$ 327,026</u>	<u>\$ 326,307</u>

The sales of goods to KSTC were at cost. However, the sales of goods to KSCC, KSUSA and general customers were at cost plus gross profit. The term of collection was the same as those of unrelated parties with a 90-day term of collection.

c. Purchases of goods

Related Party Name	For the Year Ended December 31	
	2020	2019
KSTC	\$ 79,442	\$ 96,964
KSCC	<u>48,632</u>	<u>24,235</u>
	<u>\$ 128,074</u>	<u>\$ 121,199</u>

The purchase price of KSTC was based on cost (general customers of KSTC were priced at cost plus gross profit), and the purchase price of KSCC was at cost plus gross profit. The payment term was the same as those of unrelated parties with a 90-day term.

d. Receivables from related parties

Related Party Name	December 31	
	2020	2019
Notes receivable		
KSTC	<u>\$ 79,445</u>	<u>\$ 92,527</u>
Accounts receivable		
KSTC	\$ 34,726	\$ 38,586
KSCC	<u>13,381</u>	<u>17,031</u>
	<u>\$ 48,107</u>	<u>\$ 55,617</u>
Other receivables		
KSTC	<u>\$ 1,077</u>	<u>\$ 3,279</u>

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Related Party Name	December 31	
	2020	2019
Notes payable		
KSTC	<u>\$ 22,518</u>	<u>\$ 26,282</u>
Accounts payable		
KSTC	\$ 11,552	\$ 10,771
KSCC	<u>8,941</u>	<u>13,510</u>
	<u>\$ 20,493</u>	<u>\$ 24,281</u>
Other payables		
KSTC	\$ 235	\$ -
KSUSA	<u>25</u>	<u>14</u>
	<u>\$ 260</u>	<u>\$ 14</u>

The outstanding payables to related parties were unsecured.

f. Processing revenue

Related Party Name	For the Year Ended December 31	
	2020	2019
KSTC	<u>\$ 7,550</u>	<u>\$ 7,783</u>

Processing revenue was based on cost prices, and the collection term is 90 days.

g. Technical and service revenue

The Company entered into a service contract with the subsidiary, KSTC. The service revenue was based on the ratio of net sales of the specific products from KSTC. The service revenue were \$2,186 thousand and \$2,020 thousand (included in other gains and losses) for the years ended December 31, 2020 and 2019, respectively.

h. Commission

Marketing support and post-sales services were provided by KSUSA to the Company, and the commission expense based on the ratio of the sales amount of the specific customers were \$131 thousand and \$69 thousand (included in selling and marketing expenses) for the years ended December 31, 2020 and 2019, respectively.

The terms of the commission and payment were the same as unrelated parties.

i. Manpower services

The manpower services provided by the Company to KSTC were recognized as revenue amounting to \$3,435 thousand and \$4,179 thousand (included in the deduction of manufacturing expenses) for the years ended December 31, 2020 and 2019, respectively. In addition, the Company recognized cost amounting to \$12 thousand and \$496 thousand (included in the manufacturing expenses) in 2020 and 2019, respectively. The charges were based on the actual manpower and number of hours provided.

j. Other expenses

The Company paid service expenses to KSUSA amounting to \$845 thousand and \$1,766 thousand (included in selling and marketing expenses), which were based on the actual cost of services provided for the years ended December 31, 2020 and 2019, respectively.

k. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 17,796	\$ 17,693
Post-employment benefits	<u>135</u>	<u>148</u>
	<u>\$ 17,931</u>	<u>\$ 17,841</u>

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

## 23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
a. Unused letters of credit for purchases of raw materials and machinery and equipment	\$ 124,993	\$ 95,030
b. Unrecognized commitments of acquisition of property, plant and equipment	5,624	1,038
c. Contracts for purchases of raw materials		
Total amount	97,894	110,885
Issued promissory notes	20,200	20,191

## 24. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	<b>Foreign Currencies (In Thousand)</b>	<b>Exchange Rate (NT\$)</b>	<b>Carrying Amount</b>
<u>December 31, 2020</u>			
Financial assets			
Monetary items			
USD	\$ 71,729	28.372 (USD:NTD)	\$ 2,035,092

(Continued)

	<b>Foreign Currencies (In Thousand)</b>	<b>Exchange Rate (NT\$)</b>		<b>Carrying Amount</b>
Financial liabilities				
Monetary items				
USD	\$ 135	28.372	(USD:NTD)	\$ 3,830
<hr/> December 31, 2019 <hr/>				
Financial assets				
Monetary items				
USD	85,131	30.046	(USD:NTD)	2,557,836
Financial liabilities				
Monetary items				
USD	165	30.046	(USD:NTD)	4,982 (Concluded)

The Company is mainly exposed to US dollar. Net foreign exchange losses were \$122,458 thousand and \$47,910 thousand for the years ended December 31, 2020 and 2019, respectively.

## 25. ADDITIONAL DISCLOSURES

### a. Information about significant transactions and investees

- 1) Financing provided to others: None.
- 2) Endorsement and guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): None.
- 4) Marketable securities acquired or disposed at cost or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 1.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2.
- 9) Trading in derivative instruments: None.

### b. Information on investees: Table 3.



c. Information on investments in mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China: Table 4.

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

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Note 22.
  - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Note 22.
  - 3) The amount of property transactions and the amount of gains or losses generated: None.
  - 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and purposes: None.
  - 5) The highest balance, the ending balance, the interest rate range, and total current year interest with respect to financing of funds: None.
  - 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.
- d. 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 5.

## 26. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements, and the segment information is waived.

**TABLE 1**

**KING SLIDE WORKS CO., LTD.**

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

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	King Slide Technology Co., Ltd.	Subsidiary	Sales	\$ (290,460)	(16)	90 days after monthly closing	Note	-	\$ 114,171	26	

Note: The sales price was based on cost.

**TABLE 2**

**KING SLIDE WORKS CO., LTD.**

**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)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
The Company	King Slide Technology Co., Ltd.	Subsidiary	\$ 114,171	2.45	\$ -	-	\$ 51,374	-	Note 1
			<u>1,077</u>		-	-	<u>-</u>	-	Note 2
			<u>\$ 115,248</u>				<u>\$ 51,374</u>		

Note 1: The computation of turnover rate did not include the non-operating receivables which were not from sales of goods.

Note 2: The ending balance was other receivables.

**TABLE 3**

**KING SLIDE WORKS CO., LTD.**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

[illegible]

**TABLE 4**

**KING SLIDE WORKS CO., LTD.**

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

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 (Note 4)	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2020 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
King Slide Technology (China) Co., Ltd.	Wholesale and provide related services for rail kits, slides and accessories	\$ 157,282	Note 1	\$ 157,282	\$ -	\$ -	\$ 157,282	\$ 2,669	100.00	\$ 2,669	\$ 119,244	\$ -	
King Slide Technology (Shenzhen) Co., Ltd.	Sales of servers, servers and Internet related products and components, handheld wireless phone, electronic products and other related components, communication equipment and related products (except satellite TV broadcasting ground receiving equipment); import and export of goods or technologies.	4,306	Note 2	-	-	-	-	(394)	100.00	(394)	3,914	-	

  

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
The company	\$157,282	\$157,282	\$6,672,625

Note 1: Invested through King Slide (Hong Kong) Co., Limited ,a company in Hong Kong.

Note 2: Invested through King Slide Technology (China) Co., Ltd.

Note 3: Upper limit on the amount of investment in mainland China: \$11,121,041×60%=\$6,672,625.

Note 4: The amount was recognized based on the financial statements audited by the Company’s CPA.

**TABLE 5****KING SLIDE WORKS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of The Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership
Lin Tsung-Chi	8,260,121	8.66
Hai Hu Investment Inc.	6,505,207	6.82
Hong-Yi Investment Inc.	6,236,232	6.54
Long Shen Investment Inc.	6,232,767	6.54
Discretionary investment account of Cathay Life managed by Cathay Investment Trust	5,670,000	5.94
Nan Shan Life Insurance Company, Ltd.	4,830,000	5.06

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 preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.

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.

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF NOTES RECEIVABLE	2
STATEMENT OF ACCOUNTS RECEIVABLE	3
STATEMENT OF OTHER RECEIVABLES	4
STATEMENT OF INVENTORIES	5
STATEMENT OF CHANGES IN INVESTMENTS	6
ACCOUNTED FOR USING EQUITY METHOD	
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 10
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 10
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 18
STATEMENT OF NOTES PAYABLES	7
STATEMENT OF ACCOUNTS PAYABLES	8
STATEMENT OF OTHER PAYABLES	Note 12
STATEMENT OF DEFERRED TAX LIABILITIES	Note 18
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUES	9
STATEMENT OF OPERATING COSTS	10
STATEMENT OF OPERATING EXPENSES	11
STATEMENT OF LABOR, DEPRECLATION AND AMORTIZATION BY FUNCTION	12

**STATEMENT 1****KING SLIDE WORKS CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>Item</b>	<b>Rate (%)</b>	<b>Duration</b>	<b>Amount</b>
Petty cash and Cash on hand			\$ 99
Cash in banks			
Checking accounts			456
Demand deposits			142,679
Foreign currency deposits - US\$10,819 thousand, RMB\$1,066 thousand and EUR\$20 thousand (Note)			312,254
Cash equivalents (time deposits with original maturity of 3 months or less)			
Commercial papers	0.27	2020.12.30-2021.01.22	384,605
Time deposits	0.35	2020.12.15-2021.01.15	20,930
Foreign currency time deposits - US\$54,000 thousand and RMB\$23,000 thousand (Note)	0.20-1.90	2020.10.01-2021.03.14	1,631,337
			<hr/>
			<u>\$ 2,492,360</u>

Note: Exchange rate: USD1=NTD28.372, RMB1=NTD4.3152 and EUR1=NTD34.5433.



**STATEMENT 2**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF NOTES RECEIVABLE**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

---

<b>Client Name</b>	<b>Amount</b>	<b>Remark</b>
Related parties		
King Slide Technology Co., Ltd.	\$ 79,445	Sale of goods
Non-related parties		
Others (Note)	<u>47,658</u>	Sale of goods
	<u>\$ 127,103</u>	

Note: The amount of individual client included in others did not exceed 5% of the account balance.

**STATEMENT 3****KING SLIDE WORKS CO., LTD.****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

<b>Client Name</b>	<b>Amount</b>	<b>Over a Year</b>	<b>Remark</b>
Related parties			
King Slide Technology Co., Ltd.	\$ 34,726	\$ -	Sale of goods
King Slide Technology (China) Co., Ltd.	13,381	-	Sale of goods
	<u>48,107</u>	<u>-</u>	
Non-related parties			
A Company	33,720	-	Sale of goods
B Company	33,159	-	Sale of goods
C Company	17,617	-	Sale of goods
Others (Note)	<u>181,527</u>	<u>-</u>	Sale of goods
	266,023	<u>\$ -</u>	
Less: Allowance for impairment loss	530		
	<u>265,493</u>		
	<u>\$ 313,600</u>		

Note: The amount of individual client included in others did not exceed 5% of the account balance.

**STATEMENT 4****KING SLIDE WORKS CO., LTD.****STATEMENT OF OTHER RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Related parties	
King Slide Technology Co., Ltd. (service revenue)	<u>\$ 1,077</u>
Non-related parties	
Tax refund receivable	1,089
Interest receivable	479
Others (Note)	<u>29</u>
	<u>1,597</u>
	<u>\$ 2,674</u>

Note: The amount of individual item included in others did not exceed 5% of the account balance.

**STATEMENT 5****KING SLIDE WORKS CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market value (Note)</b>
Finished goods	\$ 32,473	\$ 50,977
Work-in-process	43,225	57,614
Raw materials	87,822	90,147
Supplies	4,842	5,093
Merchandise	<u>14</u>	<u>14</u>
	<u>\$ 168,376</u>	<u>\$ 203,845</u>

Note: The market value is the net realizable value as their best estimation. The net realizable value of raw material and supplies are determined at replacement cost.

## KING SLIDE WORKS CO., LTD.

## STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Except Unit Price)

Investees	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Balance, December 31, 2020			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Total Amount	
King Slide USA, Inc.	200,000	\$ 39,681	-	\$ -	-	\$ 2,567	200,000	100	\$ 37,114	\$ 185.57	\$ 37,114	None
King Slide Technology Co., Ltd.	112,600,000	7,222,849	-	966,278	-	200,000	112,600,000	100	7,989,127	70.95	7,989,127	None
King Slide (Samoa) Co., Ltd.	5,000,000	<u>117,414</u>	-	<u>1,830</u>	-	<u>-</u>	5,000,000	100	<u>119,244</u>	24.37	<u>121,857</u>	None
		<u>\$7,379,944</u>		<u>\$ 968,108</u>	(Note)	<u>\$ 202,567</u>			<u>\$ 8,145,485</u>		<u>\$ 8,148,098</u>	

Note: Included share of losses (gain) of subsidiaries, other comprehensive losses (gain) of subsidiaries and cash dividends.

**STATEMENT 7**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF NOTES PAYABLES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

---

<b>Vendor Name</b>	<b>Amount</b>
Related parties	
King Slide Technology Co., Ltd.	\$ 22,518
Non-related parties (Note)	<u>106,532</u>
	<u>\$ 129,050</u>

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

**STATEMENT 8**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

---

<b>Vendor Name</b>	<b>Amount</b>
Related parties	
King Slide Technology Co., Ltd.	\$ 11,552
King Slide Technology (China) Co., Ltd.	<u>8,941</u>
	20,493
Non-related parties (Note)	<u>33,568</u>
	<u>\$ 54,061</u>

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

**STATEMENT 9**

**KING SLIDE WORKS CO., LTD.**

**STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Shipments (Group) (In Thousands)</b>	<b>Amount</b>
Net revenue		
Rail kits	8,246	\$ 1,351,047
Others (Note)	6,208	<u>476,532</u>
		1,827,579
 Processing		 <u>7,550</u>
		 <u><u>\$ 1,835,129</u></u>

Note: The amount of individual item included in others did not exceed 10% of the account balance.



**STATEMENT 10****KING SLIDE WORKS CO., LTD.**
**STATEMENT OF OPERATING COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**


---

Item	Amount
Production cost	
Raw materials, beginning for year	\$ 86,074
Raw materials purchased	473,649
Add: Others	709
Less: Raw materials, end of year	<u>(87,685)</u>
Raw materials used	<u>472,747</u>
Supplies, beginning of year	3,092
Supplies purchased	77,557
Less: Supplies, end of year	(4,842)
Others	<u>(1,771)</u>
Supplies used	<u>74,036</u>
Direct labor	<u>131,481</u>
Manufacturing expenses	<u>261,391</u>
Manufacturing cost	939,655
Work-in-process, beginning of year	29,504
Add: Work-in-process purchased	220,454
Less: Work-in-process, end of year	(43,362)
Others	<u>(553)</u>
Cost of finished goods	1,145,698
Add: Finished goods, beginning of year	45,615
Finished goods purchased	62,060
Less: Finished goods, end of year	(32,473)
Others	<u>(7,412)</u>
Production cost	<u>1,213,488</u>
Cost of merchandise	
Merchandise, beginning of year	34
Add: Merchandise purchased	50
Less: Merchandise, end of year	<u>(14)</u>
Cost of merchandise	<u>70</u>
Reversal of write-down inventories	(2,603)
Income from sale of scraps	<u>(18,593)</u>
	<u>\$ 1,192,362</u>

**STATEMENT 11****KING SLIDE WORKS CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Salaries	\$ 21,240	\$ 49,428	\$ 52,331	\$ 122,999
Remuneration of directors and supervisors	-	7,280	-	7,280
Advertisement	11,364	99	-	11,463
Freight	13,263	4	-	13,267
Export expense	7,340	-	-	7,340
Sample	8,852	-	-	8,852
Traveling expense	1,588	28	24	1,640
Insurance	3,011	8,605	4,163	15,779
Service expense	531	3,336	15,263	19,130
Pension	773	1,640	1,765	4,178
Others	<u>7,045</u>	<u>17,581</u>	<u>29,038</u>	<u>53,664</u>
	<u>\$ 75,007</u>	<u>\$ 88,001</u>	<u>\$ 102,584</u>	265,592
Expected credit loss reversed				<u>(578)</u>
				<u>\$ 265,014</u>

## KING SLIDE WORKS CO., LTD.

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

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salaries	\$ 193,842	\$ 122,999	\$ 316,841	\$ 202,616	\$ 132,942	\$ 335,558
Labor and health insurance	20,231	8,686	28,917	20,654	8,535	29,189
Pension	7,084	4,178	11,262	7,418	4,159	11,577
Remuneration of directors	-	6,552	6,552	-	6,552	6,552
Other	<u>16,668</u>	<u>6,107</u>	<u>22,775</u>	<u>17,722</u>	<u>6,348</u>	<u>24,070</u>
	<u>\$ 237,825</u>	<u>\$ 148,522</u>	<u>\$ 386,347</u>	<u>\$ 248,410</u>	<u>\$ 158,536</u>	<u>\$ 406,946</u>
Depreciation	\$ 32,692	\$ 2,641	\$ 35,333	\$ 31,633	\$ 3,093	\$ 34,726
Amortization	-	1,288	1,288	-	813	813

Note 1: For the years ended December 31, 2020 and 2019, the average number of employees was 565 and 579, including 5 non-employee directors, respectively.

Note 2: 1. The average employee benefits for the years ended December 31, 2020 and 2019 were \$678 thousand and \$698 thousand, respectively.

2. The average salaries for the years ended December 31, 2020 and 2019 were \$566 thousand and \$585 thousand, respectively.

3. The average salaries decreased by 3% year-on-year.

4. The remuneration of supervisors for the years ended December 31, 2020 and 2019 were both \$728 thousand, respectively.

5. The Company's salary and remuneration policies (including directors, supervisors, executive officers and employees) are as follows:

- a. According to the Company's compensation policies for directors and supervisors, regardless of financial performance, the Company pays limited salaries to directors and supervisors based on their services provided. In addition, the remuneration of directors and supervisors is at rate of no higher than 5% of net profit before income tax.

(Continued)

- b. According to the Company's compensation policies, the salaries and bonuses paid to executive officers are determined based on their job responsibilities, individual performance, profitability of the Company, and market; and are reviewed and resolved by the compensation committee and the board of directors.
- c. Compensation of employees includes a basic salary and bonuses. According to the Company's compensation policies, the salaries of employees are determined based on each employee's job responsibilities; the bonuses of employees are determined based on each employee's job responsibilities, individual performance and the overall level of the department's (to which the employee belongs) contribution to the Company.

(Concluded)