Pan-International Industrial Corp. and Subsidiaries
Consolidated Financial Statements and Auditors' Report
2020 and 2019
(Stock code 2328)

Address: No. 97 Anxing Rd., Xindian, New Taipei City

Tel: (02)2211-3066

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version, or any difference in the interpretation between the two versions, the Chinese language auditors' report and financial statements shall prevail.

Pan-International Industrial Corp. and Subsidiaries

2020 and 2019 Consolidated Financial Statements and Auditors' Report

Table of Contents

Pan-International Industrial Corp. and Subsidiaries

Declaration of Consolidated Financial Statement of Affiliates

In 2020 (from January 1, 2020, to December 31, 2020), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements". In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of consolidated financial statements of affiliated companies.

Declared hereby

Company Name: Pan-International Industrial Corp.

Legal Representative: Sung-Fa Lu

March 23, 2021

Auditors' Report

(2020) Cai-Shen-Bao-Zi No. 20003894

To Pan-International Industrial Corp.

Audit Opinions

We have audited the consolidated balance sheet of December 31, 2020 and December 31, 2019, the consolidated comprehensive income sheet, consolidated statement of changes in equity, consolidated statement of cash flows from January 1 to December 31, 2020 and 2019, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Pan-International Industrial Corp. and its subsidiaries (hereinafter "Pan-International Group").

In our opinion, on the basis of the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these consolidated financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcements recognized by the Financial Supervisory Commission. Therefore, they are able to properly express the consolidated financial status of Pan-International Group as of December 31, 2020 and 2019, and the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2020 and 2019.

Basis of our opinions

We conducted our audits in accordance with the Rules Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards in the Republic of China for the statements of 2020, and the Regulations Governing the Audit and Attestation of Financial Statements by Certified Public Accountants, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25,2020", and the auditing principles generally accepted in the Republic of China for the statements of 2019. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements. We are independent of Pan-International Group in accordance with the CPA Code of Professional Ethics of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of the result of our audit and the audit reports presented by other certified public accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion

Key Audit Matters

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

The key audit matters of the consolidated financial statements of the year 2020 of Pan-International Group are as follows:

Assessment of the provision for valuation loss on inventory

Description

For additional information on the accounting policy of inventory valuation, refer to Note 4 (14) of the consolidated financial statements. For information on the uncertainty of accounting estimates and assumptions for inventory valuation, refer to Note 5 (2) of the consolidated financial statements. For a description of the inventory items, refer to Note 6 (4) of the consolidated financial statements. As of December 31, 2020, Pan-International Group recognized inventory loss and provision for valuation loss of inventory amounting to NT$2,163,387 thousand and NT$196,191 thousand, respectively.

Pan-International Group mainly produces cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allow for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Group measures the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Group is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Group as key audit matter.

The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.
Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.
Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

The appropriateness of manual daily journal entries

Description

The journal entries tracked the day-to-day transactions that took place, and the balance of the items for the financial statements and transaction amount are constituted through posting, aggregation, and classification. Pan-International Group classifies its daily journal entries into automatic entries and manual entries. Automatic entries refers to the operation procedure of initial transactions through the front-end subsystem (e.g., the systems of sale, purchase, production, and inventory) and the approval procedure, and the transfer of related transaction entities to the daily journal. Manual entries use a manual operation mode to directly record and approve other non-automatic transfers in the daily journal.

There are many modes for manual entries and they are complex, which involve manual operation and judgment. Inappropriate daily journal entries may result in material misstatement in the financial statements. We hold that manual entries in the daily journal are highly risky by nature, and singled out the examination of manual entries in the daily journal as key audit matter.

The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

Understand and assess the character of manual entries in the daily journal and the entry process, the effectiveness of control, and the appropriate division of labor and authority among the staff, including inappropriate personnel, time, and account titles.

From the above understanding and assessment, for entries identified as high risk due to manual entry, we checked related supporting documents, the appropriateness of the entries, and the confirmation and approval of the authorized personnel.

Additional information - audits conducted by other auditors

Some of the investee companies of Pan-International Group accounted for under the equity method were presented in the consolidated financial statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, the opinions on the aforementioned consolidated financial statements regarding the amount presented in the aforementioned financial statements of these companies before adjustment were based on the Auditors' Report of other certified public accountants. The total assets of the aforementioned companies (including the investment accounted for under the equity method) as of December 31, 2020 and 2019, amounted to NT$5,766,000 thousand and NT$5,059,247 thousand, respectively, accounting for 28% and 23% of the consolidated total assets, respectively. Revenue for the years ended December 31, 2020 and 2019, amounted to NT$5,225,571 thousand and NT$5,257,526 thousand, respectively, accounting for 25% and 21% of the consolidated net operating revenue, respectively.

Additional information - Issuance of Auditors' Report on Separate Financial Statements

Pan-International Industrial Corp. has prepared the separate financial statements of 2020 and 2019. We have audited these statements and issued an unqualified opinion and additional information. Auditors' Reports issued by other accountants are on record for reference.

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

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

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

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing principles generally accepted in the Republic of China will always detect a material misstatement in the financial statements when it exists. Misstatements can arise from fraud or error. These 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 principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 internal control of Pan-International Group.
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
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 Pan-International Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Pan-International Group to cease to continue as a going concern.
Evaluate the overall presentation, structure and content of the consolidated financial statements (including the notes to the statements), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and we are responsible for forming an audit opinion on the Group.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Pan-International Group in 2020 and therefore are 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.

PwC Taiwan

Man-Yu Ruan Lu

Independent Auditors

Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Cheng-Shen-Zi No. 0990058257
Former Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

March 23, 2021

Pan-International Electronics and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019

Unit: NTD thousand

	Assets	Note	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 7,544,242	36	$ 6,200,511	29
1110	Financial assets at FVTPL - Current	6 (2)	54,250	-	81,511	-
1150	Net notes receivable	6 (3)	41	-	6,205	-
1170	Net accounts receivable	6 (3)	2,564,231	12	2,598,473	12
1180	Accounts receivable - Related parties net	7	2,759,169	13	4,093,559	19
1200	Other receivables	7	118,590	1	149,302	1
130X	Inventory	6 (4)	1,967,196	10	2,493,527	11
1470	Other current assets	8	159,825	1	216,781	1
11XX	**Total current assets**		15,167,544	73	15,839,869	73
	Non-Current Assets					
1517	Financial assets measured at fair value through other comprehensive income - Non-current	6 (5)	2,367,713	12	2,607,269	12
1535	Financial assets measured at after-amortization cost - Non-current	6 (6) and 8	1,306	-	1,291	-
1550	Investment by equity method	6 (7)	804,554	4	838,555	4
1600	Property, plant, and equipment	6 (8) and 8	1,670,684	8	1,682,528	8
1755	Right-of-use assets	6 (9)	288,179	1	393,822	2
1760	Net investment property	6 (10) and 8	234,558	1	151,021	1
1780	Intangible asset	6 (11)	36,963	-	37,142	-
1840	Deferred tax assets	6 (25)	90,266	1	108,781	-
1900	Other non-current assets		17,857	-	27,504	-
15XX	**Total non-current assets**		5,512,080	27	5,847,913	27
1XXX	**Total assets**		$ 20,679,624	100	$ 21,687,782	100

(continued)

Pan-International Electronics and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019

Unit: NTD thousand

			December 31, 2020		December 31, 2019	
	LIABILITIES AND EQUITY	Note	Amount	%	Amount	%
	Current liability					
2100	Short-term borrowings	6 (12)	$ 1,568,333	8	$ 1,573,950	7
2130	Contractual liabilities - Current	6 (20)	395,622	2	263,111	1
2170	Accounts payable		2,813,815	14	3,307,826	15
2180	Accounts payable - Related parties	7	1,356,093	7	2,188,793	10
2200	Other payables	6 (13)	905,806	4	949,138	5
2230	Current tax liabilities		309,283	1	185,498	1
2280	Lease liabilities - Current	7	73,157	-	79,387	1
2399	Other current liabilities - Other		28,282	-	41,222	-
21XX	**Total current liabilities**		7,450,391	36	8,588,925	40
	Non-current liabilities					
2570	Deferred tax liabilities	6 (25)	269,971	1	257,574	1
2580	Lease liabilities - Non-current	7	147,802	1	215,900	1
2600	Other non-current liabilities	6 (14)	23,166	-	47,449	-
25XX	**Total non-current liabilities**		440,939	2	520,923	2
2XXX	**Total liabilities**		7,891,330	38	9,109,848	42
	Equity attributable to owners of the parent company					
	Share capital	6 (15)				
3110	Common share capital		5,183,462	25	5,183,462	24
	Capital surplus	6 (16)				
3200	Capital surplus		1,503,606	8	1,503,606	8
	Retained earnings	6 (17)				
3310	Legal reserve		1,062,342	5	959,410	4
3320	Special reserve		1,312,274	6	883,205	4
3350	Unappropriated earnings		3,453,829	17	3,741,403	17
	Other equities	6 (18)				
3400	Other equities		(1,349,724)	(7)	(1,312,274)	(6)
31XX	**Total equity attributable to owners of the parent company**		11,165,789	54	10,958,812	51
36XX	**Non-controlling interests**	6 (19)	1,622,505	8	1,619,122	7
3XXX	**Total equity**		12,788,294	62	12,577,934	58
	Significant Contingent Liabilities and Unrecognized Commitments	9				
3X2X	**Total liabilities and equity**		$ 20,679,624	100	$ 21,687,782	100

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman：Sung-Fa Lu　　Manager：Sung-Fa Lu　　Accounting supervisor：Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2020 and 2019

Unit: NTD thousand
(except in NTD for earnings per share)

	Item	Note	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue	6 (20) and 7	$ 20,547,713	100	$ 25,600,708	100
5000	Operating cost	6 (4) (23) And 7	(18,403,018)	(89)	(23,241,509)	(91)
5900	Operating profit margin		2,144,695	11	2,359,199	9
	Operating expenses	6 (23)				
6100	Selling and marketing expenses		(220,811)	(1)	(260,572)	(1)
6200	General and administrative expenses		(716,427)	(4)	(642,540)	(2)
6300	Research and development expenses		(267,362)	(1)	(274,282)	(1)
6450	Anticipated credit impairment (loss) benefit	12 (2)	(15,297)	-	12,603	-
6000	Total operating expenses		(1,219,897)	(6)	(1,164,791)	(4)
6900	Operating profit		924,798	5	1,194,408	5
	Non-operating income and expense					
7100	Interest income		111,701	-	101,647	-
7010	Other income	6 (21)	135,412	1	89,011	-
7020	Other gains and losses	6 (22)	90,455	-	248,845	1
7050	Financial costs	6 (24)	(35,099)	-	(57,688)	-
7060	Share of profits and losses of affiliated companies and joint ventures recognized by the equity method	6 (7)	(34,001)	-	(46,113)	-
7000	Total non-operating income and expenses		268,468	1	335,702	1
7900	**Net income before tax**		1,193,266	6	1,530,110	6
7950	Income tax expense	6 (25)	(402,771)	(2)	(376,973)	(1)
8200	**Net income for the period**		$ 790,495	4	$ 1,153,137	5

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2020 and 2019

Unit: NTD thousand
(except in NTD for earnings per share)

	Item	Note	2020 Amount	2020 %	2019 Amount	2019 %
	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasured value of defined benefit plan	6 (14)	$ 26,079	-	($ 4,475)	-
8316	Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income	6 (18)	142,489	1	(150,291)	(1)
8349	Income tax related to items not reclassified	6 (25)	(5,233)	-	773	-
8310	Total of items not reclassified to profit or loss		163,335	1	(153,993)	(1)
	Items that may be reclassified subsequently to profit or loss:					
8361	Currency translation difference	6 (18 (19)	(161,568)	(1)	(298,328)	(1)
8360	Total of items that may be reclassified subsequently to profit or loss:		(161,568)	(1)	(298,328)	(1)
8300	**Other comprehensive income (net)**		$ 1,767	-	($ 452,321)	(2)
8500	**Total comprehensive income in the current period**		$ 792,262	4	$ 700,816	3
	NET PROFIT ATTRIBUTABLE TO:					
8610	Owners of the parent company		$ 663,190	3	$ 1,029,323	4
8620	Non-controlling interests		127,305	1	123,814	1
			$ 790,495	4	$ 1,153,137	5
	Total comprehensive income attributable to:					
8710	Owners of the parent company		$ 725,323	4	$ 596,651	3
8720	Non-controlling interests		66,939	-	104,165	-
			$ 792,262	4	$ 700,816	3
	Earnings per share (EPS)	6 (26)				
9750	Basic earnings per share		$ 1.28		$ 1.99	
9850	Diluted earnings per share		$ 1.27		$ 1.97	

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman：Sung-Fa Lu　　Manager：Sung-Fa Lu　　Accounting supervisor：Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Changes Equity
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

		Equity attributable to owners of the parent company										
			Capital surplus		Retained earnings			Other equities				
	Note	Common share capital	Capital reserve - Issuance premium	Capital reserve - Treasury share transaction	Legal reserve	Special reserve	Unappropriated earnings	Currency translation difference	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non-controlling interests	Total Equity
2019												
Balance on January 1		$ 5,183,462	$ 1,402,318	$ 101,288	$ 840,872	$ 496,898	$ 3,790,709	($ 783,138)	($ 100,067)	$ 10,932,342	$ 1,580,757	$ 12,513,099
Net income for the period		-	-	-	-	-	1,029,323	-	-	1,029,323	123,814	1,153,137
Other comprehensive income recognized for the period	6 (18)	-	-	-	-	-	(3,603)	(278,778)	(150,291)	(432,672)	(19,649)	(452,321)
Total comprehensive income in the current period		-	-	-	-	-	1,025,720	(278,778)	(150,291)	596,651	104,165	700,816
Earnings distribution and appropriation for 2018:	6 (17)											
Provision of legal reserve		-	-	-	118,538	-	(118,538)	-	-	-	-	-
Provision of special reserve		-	-	-	-	386,307	(386,307)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(570,181)	-	-	(570,181)	-	(570,181)
Decrease in non-controlling interests	6 (19)	-	-	-	-	-	-	-	-	-	(65,800)	(65,800)
Balance on December 31		$ 5,183,462	$ 1,402,318	$ 101,288	$ 959,410	$ 883,205	$ 3,741,403	($ 1,061,916)	($ 250,358)	$ 10,958,812	$ 1,619,122	$ 12,577,934
2020												
Balance on January 1		$ 5,183,462	$ 1,402,318	$ 101,288	$ 959,410	$ 883,205	$ 3,741,403	($ 1,061,916)	($ 250,358)	$ 10,958,812	$ 1,619,122	$ 12,577,934
Net income for the period		-	-	-	-	-	663,190	-	-	663,190	127,305	790,495
Other comprehensive income recognized for the period	6 (18)	-	-	-	-	-	20,860	(101,216)	142,489	62,133	(60,366)	1,767
Total comprehensive income in the current period		-	-	-	-	-	684,050	(101,216)	142,489	725,323	66,939	792,262
Earnings distribution and provisions for 2019:	6 (17)											
Provision of legal reserve		-	-	-	102,932	-	(102,932)	-	-	-	-	-
Provision of special reserve		-	-	-	-	429,069	(429,069)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(518,346)	-	-	(518,346)	-	(518,346)
Equity instruments measured at fair value through other comprehensive income	6 (18)	-	-	-	-	-	78,723	-	(78,723)	-	-	-
Decrease in non-controlling interests	6 (19)	-	-	-	-	-	-	-	-	-	(63,556)	(63,556)
Balance on December 31		$ 5,183,462	$ 1,402,318	$ 101,288	$ 1,062,342	$ 1,312,274	$ 3,453,829	($ 1,163,132)	($ 186,592)	$ 11,165,789	$ 1,622,505	$ 12,788,294

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman: Sung-Fa Lu　　Manager: Sung-Fa Lu　　Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Note	January 1 to December 31, 2020	January 1 to December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		$ 1,193,266	$ 1,530,110
Adjustments			
income and expenses items			
Depreciation expenses and amortizations	6 (23)	398,648	424,400
Provision for anticipated credit impairment loss (reversal gain)	12 (2)	15,297	(12,603)
Net benefits of financial assets and liabilities measured at fair value through the income	6 (22)	(48,804)	(19,013)
Interest expense	6 (24)	35,099	57,688
Interest income		(111,701)	(101,647)
Dividend income	6 (21)	(1,547)	(7,442)
Income from rental reduction		(4,308)	-
Share of profits and losses of affiliated companies recognized by the equity method	6 (7)	34,001	46,113
Unrealized foreign exchange gain		(73,935)	(37,140)
Net loss from the disposal of property, plant and equipment	6 (22)	9,986	24,726
Net profit from the disposal of non-current assets pending for sale	6 (22)	-	(145,112)
Changes in assets/liabilities related to business activities			
Net change in assets related to business activities			
Financial assets and liabilities measured at fair value through the income		73,172	6,060
Net notes receivable		6,163	(6,021)
Net accounts receivable		(28,825)	196,354
Accounts receivable - Related parties net		1,345,988	1,666,794
Other receivables		(19,447)	41,175
Inventory		504,125	221,616
Other current assets		39,449	(56,505)
Net change in liabilities related to business activities			
Accounts payable		(491,909)	(896,362)
Accounts payable - Related parties		(837,050)	(62,802)
Other payables		(132,455)	58,680
Other current liabilities		(13,969)	28,449
Contractual liabilities		132,511	(136,501)
Other non-current liabilities		(24,365)	6,664
Cash inflow from operations		1,999,390	2,827,681
Income tax paid		(266,843)	(363,056)
Net cash inflow from business activities		1,732,547	2,464,625
Cash flows from investing activities			
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		285,612	-
Refund of capital investment in financial assets measured at fair value through other comprehensive income		10,271	-
Acquisition of financial assets measured at after-amortization cost		-	(2,738,012)
Disposal of financial assets measured at after-amortization cost		-	3,442,005
Proceeds from disposal of non-current assets pending for sale		-	246,191
Purchase property, plant and equipment assets	6 (27)	(339,936)	(321,598)
Proceeds from disposal of property, plant and equipment		41,610	52,231
Increase in refundable deposits		(691)	-
Decrease in refundable deposits		616	268
Increase in other non-current assets		(6,711)	(2,554)
Interest received		111,965	101,684
Dividend received		1,547	7,442
Net cash inflow from investment activities		104,283	787,657
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	6 (28)	67,382	(548,162)
Lease principal repayment		(65,934)	(66,904)
Cash dividend payment	6 (17)	(518,346)	(570,181)
Interest paid		(34,549)	(56,034)
Number of cash dividends paid to non-controlling interests	6 (19)	(63,556)	(65,800)
Net cash outflow from financing activities		(615,003)	(1,307,081)
Impact of changes in the exchange rate on cash and cash equivalents		121,904	(188,058)
Increase in cash and cash equivalents in the current period		1,343,731	1,757,143
Cash and cash equivalents at the beginning of the period		6,200,511	4,443,368
Cash and cash equivalents at the end of the period		$ 7,544,242	$ 6,200,511

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman：Sung-Fa Lu　　Manager：Sung-Fa Lu　　Accounting supervisor：Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Notes to consolidated financial reports
2020 and 2019

Unit: NTD thousand
(unless otherwise noted)

Organization and operations

Pan-International Electronics Inc. (hereinafter referred to as "the company") was established in the Republic of China. The main business activities of the company and its subsidiaries (hereinafter referred to as "the group") are the development, manufacturing and sales of computer peripheral products and components such as electronic signal cables, connectors, electronic signal cables with connectors, precision molds, and printed circuit boards.

The Authorization of Financial Reports

This Consolidated Financial Statement has been passed by the Board for announcement on March 23, 2021.

Application of Newly Released and Revised Standards and Interpretations

The impact of the adoption of the new and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2020:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Disclosure initiative - Definition of materiality"	January 1, 2020
Amendment to IFRS 3 "Definition of business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendment to IFRS 16 "Rent reduction related to new coronavirus pneumonia"	June 1, 2020 (Note)

Note: FSC has authorized early application from January 1, 2020 onward.

In addition to the following, the Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

Amendment to IFRS 16 "Rent reduction related to new coronavirus pneumonia"

This amendment provides a practical relief, whereby the leasee, after satisfying the following conditions in regard to COVID-19 related rent reduction, may opt not to evaluate whether to account for lease modification. The change in lease payment due to the rent reduction during the relief period is processed according to floating lease payment:

(1) The consideration brought about by the changes in rental payment is nearly the same or less than the

consideration before the changes;

(2) Any decrease in rental payment affected only the rental payment on or before June 30, 2021; and

(3) There is no substantive change in other terms and conditions of the lease.

The Group has adopted this practical relief and increased other income by NT$4,308 in 2020.

Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2021:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IFRS 4 "Extension of temporary exemption from the application of IFRS 9"	January 1, 2021
Amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 second stage "Interest rate benchmark reform"	January 1, 2021

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IFRS 3 "Index to conceptual framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28 "Asset sales or investments between investors and their associated enterprises or joint ventures"	To be decided by IASB
IFRS 17 "Insurance contracts"	January 1, 2023
Amendment to IFRS 17 "Insurance contracts"	January 1, 2023
Amendment to IAS 1 "Classification of current or non-current liabilities"	January 1, 2023
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendment to IAS 16 "Property, plant and equipment: price before reaching intended use"	January 1, 2022
Amendment to IAS 37 "Loss contracts - Cost of performing contracts"	January 1, 2022
Annual improvement from 2018 to 2020	January 1, 2022

The group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the group.

Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of this consolidated financial report are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

Statement of compliance

The consolidated financial statements are compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, SIC and IFRIC (hereinafter collectively referred to as IFRSs) recognized by Financial Supervisory Commission.

Basis of preparation

1. Except for the following important items, this consolidated financial report is prepared at historical cost:

(1) Financial assets and liabilities (including derivatives) are measured at fair value through income.

(2) Financial assets measured at fair value through other comprehensive income.

(3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.

2. The preparation of financial reports in accordance with IFRSs requires the use of some important accounting estimates. In the application of the Group's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving consolidated financial reports. Please refer to note 5 for details.

Basis of consolidation

1. Principles for preparation of consolidated financial reports

(1) All subsidiaries of the group are included in the individual entities of the consolidated financial reports. Subsidiaries refer to individual entities (including structured individual entities) controlled by the group. When the group is exposed to or entitled to variable remuneration from participation in an individual entity, and can influence such remuneration through the power over the individual entity, the group controls such an individual entity. Subsidiaries are included in the consolidated financial reports from the date when the group obtains their control, and the merger is terminated from the date of loss of control.

(2) Intra-group transactions, balances and unrealized gains and losses have been eliminated. Necessary adjustments have been made to the accounting policies of the subsidiaries which are consistent with the policies adopted by the group.

(3) The components of profit and loss and other comprehensive income belong to the owners and non-controlling interests of the parent company; the total amount of comprehensive income also belongs to the owners and non-controlling interests of the parent company, even if it results in a loss of the balance of non-controlling interests.

(4) If the change in the shareholding of a subsidiary does not result in a loss of control (transactions with a non- controlling interest), it is treated as an equity transaction, that is, a transaction with the owner. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.

(5) When the group loses control over a subsidiary, the remaining investment in this subsidiary is re-measured at fair value and is regarded as the fair value of the originally recognized financial assets or the cost of the investment in the originally recognized affiliated enterprise or joint venture, and the difference between the fair value and the book value is recognized as the current profit and loss. All amounts

previously recognized in other comprehensive income related to the subsidiary are reclassified as profit and loss.

2. Subsidiaries listed in the consolidated financial reports:

Name	Name	Main Business	% of Ownership December 31, 2020	% of Ownership December 31, 2019	Explanation
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.(PIU)	Engaged in the import and sales of various electronic products.	100	100	(3)
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD. (PGH)	Engaged in reinvestment in the Asia Pacific and mainland China businesses, and production and manufacturing of electronic signal cables, connectors, and computer peripheral products.	100	100	(1) (2) (3)
Pan-International Industrial Corp.	Yen Yung International Investment Co., Ltd	Engaged in the domestic investment business.	100	100	(2) (3)

(1) PGH's subsidiaries, Bristech International Ltd. and Great Support International Ltd., and sub-subsidiary, NCIH International Holdings Ltd., were dissolved in September 2020.

(2) The disclosure of the indirect reinvestment of the above subsidiaries in companies in Mainland China is shown in Table 8.

(3) The financial information of individual subsidiaries included in the consolidated financial statements of the Group in 2020 and 2019 has been audited.

3. Subsidiaries not included in the consolidated financial reports: No such situation.

4. Different adjustment and treatment methods of subsidiary accounting period: No such situation.

5. Major limitation: No such situation.

6. Subsidiaries with significant non-controlling interests in the group

The total uncontrolled equity of the Group as of December 31, 2020 and 2019 amounted to NT$1,622,505 and NT$1,619,122, respectively. The following is the information about the significant non-controlling interests of the Group and its subsidiaries

		Non-controlling interests			
		December 31, 2020		December 31, 2019	
Investee	Main business location	Amount	Shareholding percentage	Amount	Shareholding percentage
P.I.E. INDUSTRIAL BERHAD	Malaysia	$ 1,583,933	49	$ 1,554,282	49

Summary financial information of subsidiaries:

Balance sheet

	December 31, 2020	December 31, 2019
Current assets	$ 3,683,194	$ 3,041,706
Non-Current Assets	864,567	825,779
Current liability	(1,256,703)	(616,392)
Non-current liabilities	(30,596)	(39,604)

Net total assets	$ 3,260,462	$ 3,211,489

Comprehensive Income Statement

Comprehensive Income Statement

	2020	2019
Income	$ 4,838,283	$ 4,920,545
Net income before tax	377,001	338,835
Income tax expense	(60,279)	(77,728)
Net income for the period	316,722	261,107
Other comprehensive income (after tax)	124,230	(32,643)
Total comprehensive income in the current period	$ 192,492	$ 228,464
Total comprehensive profit and loss attributable to non-controlling interests	$ 93,513	$ 110,988

Cash Flow Statement

Cash Flow Statement

	2020	2019
Net Cash inflow (outflow) from business activities	($ 65,800)	$ 865,267
Net cash outflow from investment activities	(164,577)	(98,953)
Net Cash inflow (outflow) from financing activities	63,021	(414,647)
Effects of exchange rate changes on the balance of cash and cash equivalents	(47,815)	21,740
Increase (decrease) in cash and cash equivalents in the current period	(215,171)	329,927
Cash and cash equivalents at the beginning of the period	1,227,197	897,270
Cash and cash equivalents at the end of the period	$ 1,012,026	$ 1,227,197

Foreign exchange conversion

1. This consolidated financial report is presented in NTD, the functional currency of the company, as the presentation currency.

2. Foreign currency transactions and balances

(1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.

(2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.

(3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through

income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.

(4) All exchange gains and losses are reported in "other gains and losses" in the income statement.

3. Conversion of foreign operations
(1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:
A. The assets and liabilities expressed in each balance sheet are converted at the spot exchange rate on the balance sheet date;
B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and
C. All exchange differences arising from the conversion are recognized in other comprehensive income.
D. When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. However, if the group still retains part of its interest in the aforementioned subsidiary, but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the rights and interests of the foreign operation.
(2) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

<u>Classification criteria for current and non-current assets and liabilities</u>

1. Assets that meet one of the following conditions are classified as current assets:

(1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.

(2) Held mainly for trading purposes.

(3) Expected to be realized within 12 months after the balance sheet date.

(4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

(1) Those that are expected to be settled in the normal business cycle.

(2) Held mainly for trading purposes.

(3) Expected to be settled within 12 months after the balance sheet date.

(4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The group classifies all liabilities that do not meet the above conditions as non-current.

Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

Financial assets at FVTPL

1. Financial assets measured at fair value through income refer to financial assets held for trading. Financial assets are classified as held for trading if they are mainly to be sold in a short period at the time of acquisition. Derivatives are classified as financial assets held for trading, except those designated as hedging items according to hedge accounting.

2. The group adopts transaction day accounting for financial assets measured at fair value through income in compliance with trading practices.

3. The group measures their fair value at the time of original recognition, while relevant transaction costs are recognized as current profit and loss. Subsequently, they are measured at fair value and changes in profit or loss are recognized in profit or loss.

4. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be measured reliably, and the group recognizes the dividend income in profit or loss.

Financial assets at FVTOCI

1. Refers to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:

(1) The financial asset is held under the business model to collect contractual cash flow and for sale.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The group adopts transaction day accounting for financial assets measured at fair value through other comprehensive income in accordance with trading practices.

3. The group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:

(1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the group recognizes dividend income in profit or loss.

(2) Changes in the fair value of debt instruments are recognized in other comprehensive income, and the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Financial assets measured at after-amortization cost

1. Refers to those who meet the following conditions at the same time:

(1) Holding the financial asset under the business model to collect the contractual cash flow.

(2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely

the interest in the payment of the principal and the outstanding principal amount.
2. The group adopts transaction day accounting for financial assets measured at after-amortization cost in accordance with trading practices.

3. The group measures their fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.

4. Due to the short holding period, the fixed deposits held by the group that does not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.

Accounts and notes receivable

1. Refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.

2. For short-term accounts and notes receivable with unpaid interest, as they have little effect on discount, the group measures them based on the original invoice amount.

Impairment of financial assets

On each balance sheet date, the group takes into account all reasonable and verifiable information (including forward-looking) in respect of debt instrument investment measured at fair value through other comprehensive income, financial assets measured at after-amortization cost, and accounts receivable with significant financial components. If the credit risk does not increase significantly since the original recognition, the loss allowance is measured as 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount during the duration; for accounts receivable that do not contain significant financial components, the loss allowance is measured according to the expected credit loss amount during the duration.

Derecognition of financial assets

When the group's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognised.

Lessor’s lease transaction - Operating lease

Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.

Inventory

Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and related variable sales expenses.

Non-current assets to be sold (or the disposal group)

When the book value of a non-current asset (or the disposal group) is mainly recovered through a sale transaction rather than continued use, and it is highly likely to be sold, then it is classified as an asset for sale and is measured at the lower of its book value or fair value less the cost of sale.

Investment by the equity method - Affiliated enterprises

1. Affiliated enterprises refer to all individual entities in which the group has a significant influence on them but has no control over them. Generally, the group directly or indirectly holds more than 20% of their voting rights. The group's investment in affiliated enterprises is treated with the equity method and recognized at cost when acquired.

2. The group recognizes the share of profit or loss of the affiliated enterprise as the current income and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the group's share of loss in any affiliated enterprise is equal to or exceeds its interest in the associated enterprise (including any other unsecured receivables), the group does not recognize any further loss, unless the group has a legal or constructive obligation to the associated enterprise or has made payments on its behalf.

3. When the equity change of non-profit and loss and other comprehensive income occurs in the affiliated enterprise but does not affect the shareholding ratio in the affiliated enterprise, the group will recognize the change of equity under the share of the affiliated enterprise as the group as "capital reserve" according to the shareholding ratio.

4. The unrealized gains and losses arising from the transactions between the group and its affiliated enterprises have been written off in proportion to the equity in the affiliated enterprises; unless there is evidence showing that the assets transferred by the transaction have been impaired, the unrealized losses will also be eliminated. Necessary adjustments have been made to the accounting policies of affiliated enterprises which are consistent with the policies adopted by the Group.

5.When the Group disposes of an associate, if there is a loss of significant influence over the associate, the accounting treatment of all amounts previously recognized in other comprehensive income related to the associate is the same as if the Group directly disposes of the relevant assets or liabilities, that is, if the interests or losses previously recognized as other comprehensive income will be reclassified as profit and loss when disposing of related assets or liabilities, then if there is a loss of significant influence over the associate, the profit or loss will be reclassified as profit or loss from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.

Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.

2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the group and the cost of the project can be measured reliably. The book value of the reset part should be derecognised. All other maintenance costs are recognized in current profit or loss when incurred.

3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.

4. The group reviews the residual value, service life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value or service life is different from the previous estimate, or the expected consumption pattern of the future economic benefits contained in the asset has changed significantly, then from the date of the change, it shall be handled in accordance with the provisions of the International Accounting Standard No. 8 "Accounting Policies, Changes and Errors in Accounting Estimates." The service life of each asset is as follows:

Buildings	20 ~ 40 years
Equipment	2 ~ 10 years
Others	2 ~ 10 years

<u>Lessee's lease transaction - Right-of-use assets/lease liabilities</u>

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as an expense during the lease period by the straight-line method.

2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease, at the discounted current value of the group's incremental borrowing rate.

Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes but not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.

3. The right-of-use assets are recognized at cost on the lease start date, and the cost is measured based on the original amount of the lease liability.

The subsequent measurement is based on the cost model, and the depreciation expense is calculated when the service life of the right-of-use assets expire or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, any re-measurement of the lease liabilities will be adjusted in the right-of-use assets.

<u>Investment property</u>

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is 10 ~ 40 years.

<u>Intangible asset</u>

Goodwill is generated by corporate acquisition based on the purchase method.

Impairment of non-financial assets

1. The group estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher. Except for goodwill, when there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the assets increased by the reversal of the impairment loss shall not exceed the book value of the assets if the impairment loss is not recognized after deduction of the depreciation or amortization.

2. The recoverable amount of goodwill is regularly estimated. When the recoverable amount is lower than its book value, the impairment loss is recognized. The impairment loss of goodwill impairment will not be reversed in subsequent years.

3. Goodwill is allocated to cash-generating units for impairment testing. This allocation is based on the identification of the operating departments, and goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the corporate merger that generates goodwill.

Borrowings

Refers to short-term borrowings from a bank. The group measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

Note payable and accounts payable

1. Refers to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.

2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the group uses the original invoice amount to measure the value.

Financial liabilities measured at fair value through the income

1. Financial liabilities are designated to be measured at fair value through income at the time of initial recognition. When financial liabilities meet any of the following conditions, the group designates them as measured at fair value through income at the time of initial recognition:

(1) They belong to a mixed (combined) contract; or

(2) Inconsistent measurement or recognition can be eliminated or significantly reduced; or

(3) They are a tool to manage and evaluate the performance on a fair value basis in accordance with a written risk management policy.

2. The group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

The offset of financial assets and liabilities

When there is a legally enforceable right to offset the recognized amount of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed in the net amount on the balance sheet.

Non-hedging derivatives and embedded derivatives

Non-hedging derivatives at the time of original recognition are measured at the fair value on the contract signing date, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

Employee welfare

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

2. Pension

(1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

(2) Defined benefit plan

A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.

B. The remeasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

3. Employee remuneration and director's remuneration

Employee remuneration and director's remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any difference between the actual distribution amount and the estimated amount, it shall be treated as the change of accounting estimate.

Income tax

1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive income or directly included in equity.

2. The group calculates the current income tax based on the tax rate enacted or substantively enacted on the balance sheet date by the country where the group operates and the taxable income is generated. The management assesses the status of income tax returns regularly with respect to the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated, after the earnings distribution proposal is passed by the shareholders' meeting.

3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the consolidated balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and affiliated enterprises, the group can control the reversal time point of the temporary difference, and the temporary difference is likely to not be reversed in the foreseeable future, then it will not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.

4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.

5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.

6. The portion of unused income tax deduction for deferred use generated from the procurement of equipment or technology, R&D spending and investment in equity shall be recognized as deferred income tax assets within the scope of using unused income tax deduction for taxation with a high probability in the future.

Dividend distribution

Dividends distributed to the company's shareholders are recognized in the financial reports when the company's shareholders' meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the base date of issuing new shares.

Revenue recognition

1. The group manufactures and sells 3C related products. Revenue from sales is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the buyer, the buyer has discretion over the price of the product, and the group has no outstanding performance obligation that may affect the customer's acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the Group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

2. The terms of payment for sale transactions are usually due 30 to 120 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the customer‘s payment does not exceed one year, the Group has not adjusted the transaction price to reflect the time value of the currency.

Government subsidy

Government subsidy is recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government subsidy and will receive the subsidy. If the nature of the government subsidy is to compensate for the expenses incurred by the group, the government subsidy shall be recognized as the current income on a systematic basis during the period of the relevant expenses.

Operation departments

The information of the Group's operating segments is reported consistently with the internal management reports provided to major operational decision-makers. Major operational decision-makers are responsible for allocating resources to operations and assessing their performance.

Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Group prepares the consolidated financial reports, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please provide a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions as follows:

Important judgment for accounting policy adoption

Recognition of gross or net income

According to the type of transaction and its economic essence, the Group determines whether the nature of its commitment to customers is the performance obligation of providing specific goods or services by itself (i.e. the Group is the principal), or is the performance obligation of another party providing such goods or services (i.e. the Group is the agent). When the Group controls a particular product or service before transferring it to a customer, the Group acts as the principal and recognizes the total amount of consideration that it is expected to be entitled to receive for the transfer of the particular product or service as income. If the Group does not control the specific product or service before transferring it to customers, the Group acts as an agent to arrange for another party to provide the particular product or service to customers, and any fee or commission that the Group is entitled to receive via this arrangement is recognized as income.

The group determines whether it controls a particular product or service before it is transferred to a customer based on the following indicators:

1. Being responsible for fulfilling the promise of providing a particular product or service.
2. Bearing the inventory risk before transferring the particular product or service to the customer, or bearing the inventory risk after transferring the control.
3. Having the discretion to fix the price of a particular product or service.

Important accounting estimates and assumptions

The accounting estimates made by the Group are based on the reasonable expectation of future events based on the situation as of the balance sheet date. However, the actual results may be different from the estimates. For the risk of significant adjustment to book values of assets and liabilities in the next fiscal year, please refer to the following details:

Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Group assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

Summary of Significant Accounting Items

Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and working capital	$ 5,619	$ 3,299
Checking and demand deposit accounts	6,241,449	4,457,424
Time deposit	1,297,174	1,739,788
	$ 7,544,242	$ 6,200,511

1. The credit quality of the financial institutions with which the Group interacts is good, and the Group interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.

2. The bank deposits pledged by the Group as of December 31, 2020 and 2019, were classified as “other current assets”. For additional information, refer to Note 8.

Financial assets measured at fair value through income - Current

Item	September 30, 2020	December 31, 2019
Current items:		
Mandatory financial assets measured at fair value through income		
Open-end funds	$ 50,916	$ 77,272
Foreign exchange forward contracts	3,334	4,239
	$ 54,250	$ 81,511

1. The financial products held by the Group in 2020 and 2019 were recognized as net gains amounting to NT$48,804 and NT$19,013, respectively.

2. The transaction and contract information of non-hedging derivative financial assets are explained as follows:

	December 31, 2020		
Derivative financial liabilities	Contract amount (Nominal principal) (NT$ thousand)		Contract period
Current items:			
Foreign exchange forward contracts	RMB (BUY)	72,783	December 2020~January 2021
	USD (SELL)	11,000	

	December 31, 2019		
Derivative financial assets	Contract amount (Nominal principal) (NT$ thousand)		Contract period
Current items:			
Foreign exchange forward contracts	RMB (BUY)	471,462	November 2019 - March 2020
	USD (SELL)	67,000	

(1) Currency and interest rate swap contracts

The foreign exchange forward transactions entered into by the Group are US dollar forward transactions (selling USD to buy RMB) to avoid the exchange rate risk of working capital, but hedge accounting is not applicable.

3. The group has not pledged financial assets measured at fair value through income.

Notes and accounts receivable

	December 31, 2020	December 31, 2019
Note receivable	$ 41	$ 6,205
Accounts receivable	2,570,432	2,602,387
Less: Allowance for impairment loss	(6,201)	(3,914)
	$ 2,564,272	$ 2,604,678

1. The group does not hold any collateral.
2. The balance of accounts receivable and notes receivable as of December 31, 2020 and 2019 were generated from customer contracts. The balance of accounts and notes receivable from customer contracts on January 1, 2019, amounted to NT$2,817,588.
3. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of notes and accounts receivable of the Group as of December 31, 2020 and 2019, is the book value of each type of notes and accounts receivable.
4. Please refer to note 12(2) for details of relevant credit risk information.

Inventory

	December 31, 2020		
	Cost	Allowance for valuation losses	Book value
Raw materials	$ 980,033	($ 92,289)	$ 887,744
Work in process	511,455	(10,825)	500,630
Finished products	671,899	(93,077)	578,822
	$ 2,163,387	($ 196,191)	$ 1,967,196

	December 31, 2019		
	Cost	Allowance for valuation losses	Book value
Raw materials	$ 1,717,829	($ 49,034)	$ 1,668,795
Work in process	373,349	(13,822)	359,527
Finished products	554,923	(89,718)	465,205
	$ 2,646,101	($ 152,574)	$ 2,493,527

The cost of inventory recognized as expense losses by the Group in the current period:

	2020	2019
Cost of inventory sold	$ 18,396,193	$ 23,260,376
Inventory valuation loss	43,617	29,551
Income from sales of scrap materials	(36,792)	(48,418)
	$ 18,403,018	$ 23,241,509

Financial assets measured at fair value through other comprehensive income - Non-current

Item	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed and OTC stocks	$ 1,166,154	$ 855,546
Non-listed, OTC, or emerging stocks	1,201,559	1,751,723
Total	$ 2,367,713	$ 2,607,269

1. For information on changes in fair value recognized in other comprehensive income of the Group in 2020 and 2019, refer to Note 6 (18), other equities.

2. The Group did not pledge any of the financial assets measured at fair value through other comprehensive income on December 31, 2020 and 2019.

Financial assets measured at after-amortization cost - Non-current

Item	December 31, 2020	December 31, 2019
Non-current items:		
Fixed deposit of more than three months	$ 1,306	$ 1,291

1. For information on the Group's pledge of financial assets measured at amortized cost as of December 31, 2020 and 2019, refer to Note 8.

2. Related information on credit risk is shown in Note 12 (2).

Investment by equity method

	December 31, 2020	December 31, 2019
Long Time Tech. Co., Ltd.	$ 804,554	$ 838,555

1. The investment of the Group accounted for under the equity method in 2020 and 2019 was based on the evaluation of the audited financial statements of these associates covering the same period.

2. The share of operating results of the group's individual non-significant affiliated companies is summarized as follows:

	2020	2019
Current net loss of continuing business units	($ 34,001)	($ 46,113)
Total comprehensive income in the current period	($ 34,001)	($ 46,113)

3. The group's subsidiaries Pan Global Holding Co., Ltd. and Tekcon Electronics Corporation hold 22.26% of the equity of Long Time Tech. Co., Ltd.. But they do not include Long Time Tech as consolidated entity because they don't acquire the control of the company.

Property, plant, and equipment

	Land	Buildings	Equipment	Others	Unfinished construction and equipment to be accepted	Total
January 1, 2020						
Cost	$ 24,394	$ 642,881	$ 4,457,094	$ 671,793	$ 104,729	$ 5,900,891
Cumulative depreciation	-	(341,713)	(3,344,344)	(532,306)	-	(4,218,363)
	$ 24,394	$ 301,168	$ 1,112,750	$ 139,487	$ 104,729	$ 1,682,528
2020						
January 1	$ 24,394	$ 301,168	$ 1,112,750	$ 139,487	$ 104,729	$ 1,682,528
Addition	-	19,005	314,440	28,227	51,014	412,686
Disposal	-	-	(41,942)	(2,117)	(7,537)	(51,596)
Transfer	-	(67,445)	109,437	6,847	(116,653)	(67,814)
Depreciation expenses	-	(15,440)	(247,427)	(33,213)	-	(296,080)
Net exchange difference	(384)	(8,839)	(1,307)	(1,663)	(2,787)	(9,040)
December 31	$ 24,010	$ 228,449	$ 1,248,565	$ 140,894	$ 28,766	$ 1,670,684
December 31, 2020						
Cost	$ 24,010	$ 577,238	$ 4,673,728	$ 687,857	$ 28,766	$ 5,991,599
Cumulative depreciation	-	(348,789)	(3,425,163)	(546,963)	-	(4,320,915)
	$ 24,010	$ 228,449	$ 1,248,565	$ 140,894	$ 28,766	$ 1,670,684

	Land	Buildings	Equipment	Others	Unfinished construction and equipment to be accepted	Total
January 1, 2019						
Cost	$ 23,985	$ 652,981	$ 4,577,981	$ 708,948	$ 92,062	$ 6,055,957
Cumulative depreciation	-	(327,751)	(3,308,648)	(567,212)	-	(4,203,611)
	$ 23,985	$ 325,230	$ 1,269,333	$ 141,736	$ 92,062	$ 1,852,346
2019						
2019	$ 23,985	$ 325,230	$ 1,269,333	$ 141,736	$ 92,062	$ 1,852,346
Addition	-	3,211	142,609	48,107	98,545	292,472
Disposal	-	-	(69,282)	(6,467)	(1,208)	(76,957)
Transfer	-	-	71,975	(4,166)	(84,529)	(16,720)
Depreciation expenses	-	(23,248)	(266,774)	(34,794)	-	(324,816)
Net exchange difference	490	(4,025)	(35,111)	(4,929)	(141)	(43,797)
December 31	$ 24,394	$ 301,168	$ 1,112,750	$ 139,487	$ 104,729	$ 1,682,528
December 31, 2019						
Cost	$ 24,394	$ 642,881	$ 4,457,094	$ 671,793	$ 104,729	$ 5,900,891
Cumulative depreciation	-	(341,713)	(3,344,344)	(532,306)	-	(4,218,363)
	$ 24,394	$ 301,168	$ 1,112,750	$ 139,487	$ 104,729	$ 1,682528

Please refer to note 8 for details of the group's pledged property, plant and equipment.

Lease transaction - Lessee

1. The underlying assets of the group include land, plants and buildings, and the terms of the lease contracts usually range from 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.

2. The book value and recognized depreciation expense information of the right-of-use assets are as follows:

	December 31, 2020	December 31, 2019
	Book value	Book value
Land	$ 73,017	$ 102,399
Houses	215,162	291,423
	$ 288,179	$ 393,822

	2020	2019
	Depreciation expenses	Depreciation expenses
Land	$ 2,500	$ 3,469
Houses	81,309	79,114
	$ 83,809	$ 82,583

3. The increase in the group's right-of-use assets in 2020 and 2019 amounted to NT$0 and NT$73,650 respectively.

4. The information on profit and loss items related to lease contracts is as follows:

	2020	2019
Items affecting current profit and loss		
Interest expenses on lease liabilities	$ 7,138	$ 9,161
Expenses of short-term lease contracts	15,184	40,157

5. The total cash outflow of the Group's leases in 2020 and 2019 amounted to NT$87,161 and NT$114,120, respectively.

Investment property

	Land	Buildings	Total
January 1, 2020			
Cost	$ 92,496	$ 153,299	$ 245,795
Cumulative depreciation and impairment	-	(94,774)	(94,774)
	$ 92,496	$ 58,525	$ 151,021
2020			
January 1	$ 92,496	$ 58,525	$ 151,021
Transfer	23,745	69,735	93,480
Depreciation expenses	-	(6,157)	(6,157)
Net exchange difference	(3,645)	(141)	(3,786)
December 31	$ 112,596	$ 121,962	$ 234,558
December 31, 2020			
Cost	$ 112,596	$ 221,048	$ 333,644
Cumulative depreciation and impairment	-	(99,086)	(99,086)
	$ 112,596	$ 121,962	$ 234,558

	Land	Buildings	Total
January 1, 2019			
Cost	$ 61,954	$ 194,789	$ 256,743
Cumulative depreciation and impairment	-	(133,821)	(133,821)
	$ 61,954	$ 60,968	$ 122,922
2019			
January 1	$ 61,954	$ 60,968	$ 122,922
Transfer	31,277	-	31,277
Depreciation expenses	-	(2,699)	(2,699)
Net exchange difference	(735)	256	(479)
December 31	$ 92,496	$ 58,525	$ 151,021
December 31, 2019			
Cost	$ 92,496	$ 153,299	$ 245,795
Cumulative depreciation and impairment	-	(94,774)	(94,774)
	$ 92,496	$ 58,525	$ 151,021

1. Rental income and direct operating expenses of investment property:

	2020	2019
Rental income of investment property	$ 33,622	$ 39,225
Direct operating expenses of investment property that generate rental income in the current period	$ 6,157	$ 2,699

2. The fair value of the investment property held by the Group on December 31, 2020 and 2019, amounted to NT$522,431 and NT$402,984, respectively, which was obtained from the evaluation from public information announced by the government. The result indicated Level 3 fair value.

3. Please refer to note 8 for details of the group's pledged investment property.

4. The Group signed a letter of intent on a property transaction in October 2018, intending to dispose of the land and plant of the Yangmei factory. Therefore, a book value of NT$101,079 was converted into non-current assets to be sold. The assets were sold in March 2019, and a disposal gain of NT$145,112 was recognized.

Intangible assets - Goodwill

	December 31, 2020	December 31, 2019
Balance at the beginning of the period	$ 37,142	$ 38,255
Net exchange difference	(179)	(1,113)
Ending balance	$ 36,963	$ 37,142

The above-mentioned intangible assets - goodwill was mainly generated by the group's merger with East Honest Holdings Limited by the acquisition method in 2012, and the indirect acquisition of its reinvested mainland China subsidiary Honghuasheng Precision Electronics (Yantai) Co., Ltd.

Short-term borrowings

Nature of the borrowings	December 31, 2020	Interest rate bracket	Collateral
Bank loans - Credit loans	$ 1,568,333	0.62%~0.74%	None.

Nature of the borrowings	December 31, 2019	Interest rate bracket	Collateral
Bank loans - Credit loans	$ 1,573,950	2.22%~2.7%	None.

As of December 31, 2020, the Group had an undrawn limit of NT$4,641,760.

Other payables

	December 31, 2020	December 31, 2019
Salary, bonus, and employee remuneration payable	$ 433,318	$ 453,383
Repair expenses payable	96,293	130,735
Utility fees payable	42,439	24,768
Consumables payable	55,533	58,380
Equipment payment payable	105,069	30,733
Processing fee payable	20,073	17,317
Rent payable	32,258	43,573
Others	120,823	190,249
	$ 905,806	$ 949,138

Pension

1. Measures for defined retirement benefits

(1) The company and Tekcon Electronics Corporation (hereinafter referred to as Tekcon) have in place measures for defined benefit retirement in accordance with the provisions of the Labor Standards Act, which applies to the service years of all regular employees before the implementation of the “Labor Pension Act” on July 1, 2005, and the subsequent service years of employees who choose to continue to apply the Labor Standards Act after the implementation of the “Labor Pension Act.” If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company and Tekcon respectively allocate 6% and 2% of the total salary to the retirement fund every month which is deposited with the trust department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year. paragraph. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year.

(2) The amount recognized at the balance sheet is specified below:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 87,952	$ 118,951
Fair value of plan assets	(75,243)	(77,722)
Net defined benefit liabilities (presented as other noncurrent liabilities in the statement)	$ 12,709	$ 41,229

(3) Changes in the net defined benefit liabilities are shown below:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2020			
Balance on January 1	$ 118,951	($ 77,722)	$ 41,229
Cost of service in current period	975	–	975
Interest expense (income)	833	(544)	289
	120,759	(78,266)	42,493
Remeasurement:			
Return on plan assets (Note)	–	(3,016)	(3,016)
Effect of the change in financial assumption	(4,765)	–	(4,765)
Experience adjustment	(18,298)	–	(18,298)
	(23,063)	(3,016)	(26,079)
Appropriation of pension reserve	–	(3,705)	(3,705)
Payment of pension	(9,744)	9,744	–
Balance on December 31	$ 87,952	($ 75,243)	$ 12,709

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2019			
Balance on January 1	$ 110,009	($ 70,729)	$ 39,280
Cost of service in current period	963	–	963
Interest expense (income)	1,001	(648)	353
	111,973	(71,377)	40,596
Remeasurement:			
Return on plan assets (Note)	–	(2,503)	(2,503)
Effect of the change in financial assumption	1,954	–	1,954
Experience adjustment	5,024	–	5,024
	6,978	(2,503)	4,475
Appropriation of pension reserve	–	(3,842)	(3,842)
Payment of pension	–	–	–
Balance on December 31	$ 118,951	($ 77,722)	$ 41,229

(Note) This does not include the amount contained in interest income or expense

(4) The defined benefit pension plan assets of the Company and Tekcon Electronics Corporation fall within the ratio and scope of items entrusted to the Bank of Taiwan in using the plan for investment in the year under appointment pursuant to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (deposits in domestic and foreign financial institutions, investments in domestic and foreign listed or OTC equity securities or through private placement, and investments in domestic and foreign products through securitization of real estate). The Labor Pension Fund Supervisory Committee is responsible for the supervision of the use of the fund. In using the fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are insufficiencies, the national treasury shall make up the difference after approval by the competent authority. The Company and Tekcon Electronics Corporation have no right to participate in the operation and management of the fund, they cannot disclose the categories of the plan assets at fair value under IAS 19 and IAS 142. The fair value forming the total assets of the fund as of December 31, 2020 and 2019, is stated in the labor pension fund utilization report announced by the government for the respective years.

(5) The actuarial assumption of pension fund is specified below:

	2020	2019
The Company		
Discount rate	0.3%	0.7%
Salary increase rate in the future	2.0%	3.5%
Tekcon Electronics Corporation		
Discount rate	0.3%	0.7%
Salary increase rate in the future	2.0%	1.5%

The assumption of the mortality rate in the future is based on the statistics released by relevant countries and estimation by experience.

The analysis of the change in the principal actuarial assumption and the influence on the present value of defined benefit obligation is shown below:

	Discount rate		Salary increase rate in the future	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2020				
Effect on the present value of defined benefit obligations	($ 1,624)	$ 1,676	$ 1,644	($ 1,601)
December 31, 2019				
Effect on the present value of defined benefit obligations	($ 2,290)	$ 2,370	$ 2,042	($ 1,988)

The aforementioned sensitivity analysis is under the assumption that all other assumptions remain unchanged, in order to analyze the effect of a change in a single assumption. In practice, changes in several assumption could be linked. The sensitivity analysis is consistent with the method adopted for the net pension liabilities presented in the balance sheet.

The method and assumption adopted for the sensitivity analysis in current period is identical with the previous period.

(6) The Group expected to appropriate $1,747 for payment to the pension plan in 2021.

(7) As of December 31, 2020, the weighted average duration of the pension plans of the Company and Tekcon Electronics Corporation were 6 years and 10 years, respectively.

2. Measures for defined retirement allocation

(1) Since July 1, 2005, the company and Tekcon have formulated measures for defined retirement allocation in accordance with the “Labor Pension Act” which applies to employees of Taiwan nationality. For employees of the company and Tekcon who choose to apply the labor retirement pension system of the “Labor Pension Act”, 6% of their monthly salary is allocated as labor pension to the employee's personal account at the Labor Insurance Bureau. The payment of labor pension shall be based on the balance of the employee's individual pension account and the number of accumulated benefits and shall be paid in the form of monthly pension or lump sum pension payment.

(2) The subsidiaries listed in the consolidated statements do not have their own retirement measures. Pan-International Electronics Inc., P.I.E. Industrial Berhad and its subsidiaries in mainland China shall allocate a certain percentage of their total salary to the mandatory provident fund in accordance with the local government's mandatory regulations, and be deposited in the independent account of each employee, and the pension of each employee is managed and arranged by the government. The companies mentioned above have no further obligations except for the monthly allocation.

(3) In 2020 and 2019, the Group recognized pension cost amounting to NT$151,556 and NT$154,190, respectively, in accordance with the above regulations governing the recognition of pension fund.

Share capital

As of December 31, 2020, the stated quantity of shares issued by the Company are 600,000,000 shares (including 30,000,000 shares under subscription warrants or subscription rights of convertible bonds), with 518,346,282 shares outstanding with a par value of NT$10 per share.

Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

Retained earnings

1. According to the articles of association of the company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.
2. The company is in a growth stage at present, and the dividend distribution policy shall be based on the company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget and other factors, while taking into account the shareholders' interests and the company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.
3. The legal reserve shall not be used except to make up for the company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.
4. When the company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.

5. The company's shareholders' meeting respectively passed the resolution on earnings distribution of 2019 and 2018 on June 12, 2020 and June 14, 2019 as follows:

	2019		2018	
	Amount	Dividend per share (NT$)	Amount	Dividend per share (NT$)
Legal reserve	$ 102,932		$ 118,538	
Special reserve	429,069		386,307	
Cash dividends	518,346	$ 1.00	570,181	$ 1.10
	$ 1,050,347		$ 1,075,026	

6. The Board of the Company passed the proposal for the distribution of earnings in 2020 on March 23, 2021, specified as follows:

	2020	
	Amount	Dividend per share (NT$)
Legal reserve	$ 76,277	
Special reserve	37,450	
Cash dividends	336,925	$ 0.65
	$ 450,652	

Other items of equity

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2020	($ 250,358)	($ 1,061,916)	($ 1,312,274)
Unrealized profit or loss of financial products - Group	142,489	-	142,489
Transfer of valuation adjustment to retained earnings -Group	(78,723)	-	(78,723)
Currency conversion difference - Group	-	(101,216)	(101,216)
December 31, 2020	($ 186,592)	($ 1,163,132)	($ 1,349,724)

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2019	($ 100,067)	($ 783,138)	($ 883,205)
Unrealized profit or loss of financial products - Group	(150,291)	-	(150,291)
Currency conversion difference - Group	-	(278,778)	(278,778)
December 31, 2019	($ 250,358)	($ 1,061,916)	($ 1,312,274)

Non-controlling interests

	2020	2019
January 1	$ 1,619,122	$ 1,580,757
Share of non-controlling equity:		
Net income for the period	127,305	123,814
Remeasured value of defined benefit plan	(14)	(99)
Coversion difference from the		
Exchange difference	(60,352)	(19,550)
Cash dividend payment	(63,556)	(65,800)
December 31	$ 1,622,505	$ 1,619,122

Operating revenue

	2020	2019
Revenue from customer contracts	$ 20,547,713	$ 25,600,708

The revenue of the Group is derived from goods and services transferred at a certain time point. Please refer to note 14 for details of revenue.

Contractual liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
Contractual liabilities	$ 395,622	$ 263,111	$ 399,612

Recognized income of contract liabilities at the beginning of the period:

	2020	2019
Opening balance of contract liabilities recognized as income in the current period	$ 239,981	$ 399,612

Other income

	2020	2019
Rental income	45,587	50,582
Dividend income	1,547	7,442
Subsidy income	36,019	15,398
Other income - Other	52,259	15,589
	$ 135,412	$ 89,011

Other gains and losses

	2020	2019
Gains from the disposal of non-current assets to be sold	$ -	$ 145,112
Net foreign currency conversion gain	57,445	109,093
Net gains of financial assets and liabilities measured at fair value through the income	48,804	19,013
Losses from the disposal of property, plant and equipment	(9,986)	(24,726)
Others	(5,808)	353
	$ 90,455	$ 248,845

Employee benefit, depreciation and amortization expenses

By nature	2020	2019
Employee benefits expense		
Salary expenses	$ 2,103,224	$ 2,188,048
Labor and national health insurance expenses	57,040	73,955
Pension expenses	152,820	155,506
Other HR expenses	174,785	169,944
	$ 2,487,869	$ 2,587,453
Depreciation expenses	$ 386,046	$ 410,098
Amortization expenses	$ 12,602	$ 14,302

1. According to the articles of association of the company, if the company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall allocate no less than 5% of it as employee remuneration and no more than 0.5% as directors' remuneration, which shall be distributed after the special resolution of the board of directors, and shall be reported to the shareholders' meeting. However, if the Company still has a cumulative loss, it shall reserve the amount of compensation in advance.

2. The Company's remuneration to employees in 2020 and 2019 was estimated at NT$40,144 and NT$60,754, respectively. The remuneration to the Directors was estimated at $4,014 and $0, respectively. The aforementioned amount was presented as salary expense in the book.

According to the resolution of the Board of Directors, the amount of employee remuneration and director's remuneration in 2019 were NT$60,754 and NT$6,075 respectively, which will be paid in cash. The amount of employee remuneration and director's remuneration recognized in the financial report of 2019 were NT$60,754 and NT$0, respectively. The difference from the amount determined by the Board of Directors was NT$6,075, mainly due to the difference in the proportion estimated, and has been adjusted to the profit and loss in 2020. As of December 31, 2020, the remunerations to the employees and Directors pending payment amounted to NT$60,754 and NT$3,045, respectively in 2019, as presented as "other payables" in the financial statements.

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

Financial costs

	2020	2019
Interest expenses on bank loans	$ 27,961	$ 48,527
Interest expenses on lease liabilities	7,138	9,161
	$ 35,099	$ 57,688

Income tax

Income tax expense

(1) Components of income tax expenses:

	2020	2019
Income tax for the current period:		
Income tax arising from current income	$ 393,059	$ 358,962
Extra tax on undistributed earnings	-	7,434
Income tax (over)estimates of previous years	(14,513)	4,186
Total income tax for the current period	378,546	370,582
Deferred income tax:		
The original value and reversal of temporary differences	24,225	6,391
Income tax expense	$ 402,771	$ 376,973

(2) Other comprehensive income related income tax amount:

	2020	2019
Remeasurement of defined benefit obligation	$ 5,233	$ 773

2. Relation between income tax expense and accounting profit

	2020	2019
Calculation of income tax on earnings before taxation at the mandatory tax rate	$ 496,077	$ 474,409
Effect of items that cannot be recognized under laws and regulations	(9,712)	(12,593)
Temporary difference not recognized as deferred income tax liabilities	(77,019)	(96,342)
Extra tax on undistributed earnings	–	7,434
Change in realizable estimation of deferred income tax assets	7,984	1,714
Effect of investment deduction on income tax	(46)	(1,835)
Income tax (over)estimates of previous years	(14,513)	4,186
Income tax expense	$ 402,771	$ 376,973

3. Deferred income tax assets or liabilities under temporary difference and taxation loss are specified as follows:

	2020				
	January 1	Recognized as income	Recognized as other comprehensive net income	Effect on foreign currency exchange differences	December 31
Deferred income tax assets:					
- Temporary difference:					
Provision for valuation loss on inventory	$ 38,255	$ 168	$ –	($ 821)	$ 37,602
Pension reserve pending on appropriation	8,155	(430)	(5,233)	–	2,492
Accrued salaries at end of period	26,211	(2,011)	–	(918)	23,282
Others	36,160	(9,315)	–	45	26,890
	$ 108,781	($ 11,588)	($ 5,233)	($ 1,694)	$ 90,266
- Deferred income tax liabilities:					
Return on foreign investment accounted for under the equity method	($ 173,927)	($ 22,781)	$ –	$ –	($ 196,708)
Taxation difference in depreciations	(82,704)	10,325	–	254	(72,125)
Others	(943)	(181)	–	(14)	(1,138)
	($ 257,574)	($ 12,637)	$ –	$ 240	($ 269,971)

	2019				
	January 1	Recognized as income	Recognized as other comprehensive net income	Effect on foreign currency exchange differences	December 31
Deferred income tax assets:					
- Temporary difference:					
Provision for valuation loss on inventory	$ 35,581	$ 3,127	$ –	($ 453)	$ .38,255
Impairment loss of investment property	6,121	(6,121)	–	–	–
Pension reserve pending on appropriation	7,829	(447)	773	–	8,155
Accrued salaries at end of period	26,644	(70)	–	(363)	26,211
Others	21,086	15,693	–	(619)	36,160
	$ 97,261	$ 12,182	$ 773	($ 1,435)	$ 108,781
- Deferred income tax liabilities:					
Return on foreign investment accounted for under the equity method	($ 135,752)	($ 38,175)	$ –	$ –	($ 173,927)
Taxation difference in depreciations	(92,835)	9,122	–	1,009	(82,704)
Others	(11,459)	10,480	–	36	(943)
	($ 240,046)	($ 18,573)	$ –	$ 1,045	($ 257,574)

4. As of December 31, 2020 and 2019, the Company assessed that the temporary difference of tax payable on some of the subsidiaries will not be reversed in the foreseeable future, and recognized all these differences as deferred income tax liabilities. The unrecognized temporary difference of deferred income tax liabilities amounted to NT$5,137,550 and NT$4,838,993, respectively.

5. The corporate income tax return of the Company has been approved by the tax collection authorities up to 2018.

Earnings per share (EPS)

	2020		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (EPS) (NT$)
Basic earnings per share			
Net profit of the current period attributable to the common shareholders of the parent company	$ 663,190	518,346	$ 1.28
Diluted earnings per share			
Net income for the period attributable to the common shareholders of the parent company	663,190	518,346	
Effect of potentially dilutive common shares: Employee remuneration	-	2,437	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	$ 663,190	520,783	$ 1.27

	2019		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (EPS) (NT$)
Basic earnings per share			
Net profit of the current period attributable to the common shareholders of the parent company	$ 1,029,323	518,346	$ 1.99
Diluted earnings per share			
Net income for the period attributable to the common shareholders of the parent company	1,029,323	518,346	
Effect of potentially dilutive common shares: Employee remuneration	-	3,321	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	$ 1,029,323	521,667	$ 1.97

Supplementary information on cash flow

Investment activities with partial cash payment:

	2020	2019
Purchase of property, plant and equipment	$ 412,686	$ 292,472
Add: equipment payable at the beginning of the period	30,733	61,037
Less: equipment payable at the end of the period	(105,069)	(30,733)
Net exchange difference	(1,586)	(1,178)
Cash paid during the period	$ 339,936	$ 321,598

Changes in liabilities from financing activities

	2020		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	$ 1,573,950	$ 295,287	$ 1,869,237
Changes in financing cash flow	(67,382)	(72,522)	(5,140)
Net exchange difference	(72,999)	(2,076)	(70,923)
Other non-cash changes	-	(3,882)	(3,882)
December 31	$ 1,568,333	$ 220,959	$ 1,789,292

	2019		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	$ 2,158,910	$ -	$ 2,158,910
Effect of initial application of IFRS 16	-	311,719	311,719
Changes in financing cash flow	(548,162)	(74,411)	(622,573)
Net exchange difference	36,798	(11,418)	48,216
Other non-cash changes	-	69,397	69,397
December 31	$ 1,573,950	$ 295,287	$ 1,869,237

Related Party Transactions

Related party's name and relationship

Name of related party	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries)	Other groups that impose significant influence on the Group
Sharp Corporation and subsidiaries (Sharp and subsidiaries)	Other related parties
Foxconn Technology Co., Ltd. and subsidiaries (Foxconn Technology and subsidiaries)	Other related parties
General Interface Solution Limited	Other related parties
Cyber TAN Technology, Inc and Subsidiaries	Other related parties
Long Time Tech. Co., Ltd.	

Major transactions with related parties

1. Operating income

	2020	2019
Other groups that impose significant influence on the Group		
- Hon Hai and subsidiaries	$ 7,772,303	$ 11,088,751
Other related parties		
- Sharp and subsidiaries	1,653,023	155,942
- Others	97,126	212,595
	$ 9,522,452	$ 11,457,288

The price and loan period were determined by both sides after consultation, except where there is no similar transaction for reference. For the remainders of the Group's sale to abovementioned related parties, the price is similar to the sale price of other general customers. The Group's period of payment for the related parties ranged from 30 to 120.

2. Purchase

	2020	2019
Other groups that impose significant influence on the Group		
- Hon Hai and subsidiaries	$ 2,647,263	$ 3,108,506
Other related parties		
- Sharp and subsidiaries	2,357,346	4,824,167
- Others	1,037,358	318
	$ 6,041,967	$ 7,932,991

The above amount includes purchase, discount, and sale return. The purchase price and payment term were determined by both sides through consultation. The payment term offered by the Group to related parties ranged from 30 to 120 days on monthly settlement of open account.

3. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Other groups that impose significant influence on the Group		
- Hon Hai and subsidiaries	$ 2,067,171	$ 3,527,505
Other related parties		
- Sharp and subsidiaries	567,382	62,650
- Others	125,497	504,454
	2,760,050	4,094,609
Less: transfer to other receivables	-	(244)
Allowance for loss	(881)	(806)
	$ 2,759,169	$ 4,093,559

The receivables from related parties were mainly from sales and purchases on behalf of the related parties. The payment term for sales to related parties ranged from 30 to 120 days. The receivables are not secured and not interest bearing. Part of the accounts receivable are transferred to other accounts receivable due to being overdue for more than three months, and the aging of other receivables is all less than one year.

4. Other receivables

	December 31, 2020	December 31, 2019
Other receivables from related parties:		
Other groups that impose significant influence on the Group		
- Hon Hai and subsidiaries	$ 1,332	$ 8,680
Other related parties		
- Sharp and subsidiaries	1,684	173
	$ 3,016	$ 8,853

Other receivables from related parties were mainly receivables of advance payments for related parties and receivable discounts.

5. Accounts payables from related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
Other groups that impose significant influence on the Group		
- Hon Hai and subsidiaries	$ 1,113,108	$ 1,508,993
Other related parties		
- Sharp and subsidiaries	1,037	679,798
- Foxconn Technology and subsidiaries	241,948	2
	$ 1,356,093	$ 2,188,793

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

6. Lease transaction - Lessee

(1) The group leases the plant from the group which has a significant impact on the group. The lease term is 5 years. The rent is paid at the end of each month.

(2) Acquisition of right-of-use assets:

Due to the application of IFRS 16, the group increased the right-of-use assets by NT$188,789 on January 1, 2019.

(3) Lease liabilities:

A. Ending balance

	December 31, 2020	December 31, 2019
Other groups that impose significant influence on the Group	$ 113,332	$ 147,387

B. Interest expense

	2020	2019
With significant influence on the Group	$ 3,590	$ 4,748

Compensation of key management personnel

	2020	2019
Short-term employee benefits	$ 13,986	$ 13,718
Post-employment benefits	240	240
Total	$ 14,226	$ 13,958

Pledged Assets

The details of the guarantees provided with the Group's assets are as follows:

	Book value		
Asset item	December 31, 2020	December 31, 2019	Guarantee purpose
Other current assets - pledged deposit	$ 720	$ 763	Issuing of letter of credit and customs deposit
Financial assets measured at an after-amortization cost - pledged time deposit	1,306	1,291	Customs deposit
Property, plant, and equipment	10,411	10,472	Guarantee mortgage for bank line overdraft (note)
Investment property	10,813	11,487	Guarantee mortgage for a bank line
	$ 23,250	$ 24,013	

Note: As of December 31, 2020, the land, buildings and structures above have been pledged as collateral for the overdraft facilities of financial institutions since 2005. The overdraft had been paid off, but the pledge has not been canceled.

Significant Contingent Liabilities and Unrecognized Commitments

Contingent matters

The group has no contingent liabilities for material legal claims arising from daily business activities.

Commitments

None.

Major Disaster Losses

None.

Significant Subsequent Events

The Board of the Company passed the proposal for the distribution of earnings in 2020 on March 23, 2021. Additional information is specified in Note 6 (17).

Others

The COVID-19 outbreak occurred at the beginning of 2020. Since the end of the first quarter this year, Mainland China and Malaysia have implemented lockdowns and ordered all private enterprises to stop their operations to prevent the spread of the pandemic. However, the restriction on local operations was gradually relaxed as the situation improved, and all the operations resumed in the second quarter. Due to the pandemic, some subsidiaries have been granted various fee reductions or subsidies from the local government, so the overall operation of the Group has not been significantly affected.

Capital management

The Group's capital management objectives are to ensure the Group's sustained operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders. In order to maintain or adjust the capital structure, the group may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the group uses the net debt ratio which is calculated by dividing net debt by total net worth. Net debt is calculated as total borrowings (including the “current and non-current borrowings” reported in the consolidated balance sheet) less cash and cash equivalents. The total net value is calculated as "equity" as shown in the consolidated balance sheet less total intangible assets.

The group's strategy for 2020 is the same as that in 2019, both of which are committed to maintaining the net debt ratio below 70%.

Financial instrument

1. Types of financial instruments

As of December 31, 2020 and 2019, the book value of the Group’s financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, and financial assets measured at amortized cost) under IFRS 9 amounted to NT$12,987,579 and NT$13,049,341, respectively. The book value of financial liabilities measured at amortized cost (including short-term loans, accounts payable (including related parties), other payables) amounted to NT$6,644,047 and NT$8,019,707, respectively. The book value of lease liabilities as of December 31, 2020 and 2019, amounted to NT$220,959 and NT$295,287, respectively. Please refer to notes 6(2) and (5) for the book values of financial assets measured at fair value through the income and financial assets measured at fair value through other comprehensive income.

2. Risk management Policy

(1) Types of risks

The group adopts a comprehensive financial risk management and control system to clearly identify, measure and control various financial risks of the group, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk, and liquidity risk.

(2) Management objectives

A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.

B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation and process, with due consideration of the overall external trend, internal operating conditions and the actual impact of market fluctuations.

C. The group's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the group's financial position and financial performance.

(3) Management system

A. Risk management shall be carried out by the Finance Department of the group in accordance with the policies approved by the board of directors. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.

B. The board of directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

3. Nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

A. Nature: The group is a multinational electronic OEM company, and most of the exchange rate risks in its business activities come from:
a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large. (Note: The group has offices in many countries around the world, so there is an exchange rate risk in a variety of different currencies, but the main ones are the US dollar, RMB, and Malaysian ringgit.)

b. In addition to the commercial transactions (business activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

B. Management
a. For such risks, the group has established a policy that requires companies within the group to manage the exchange rate risk relative to their functional currencies.

b. The exchange rate risk of each functional currency against the reporting currency of the consolidated statements is managed by the group's finance office.

C. Extent
The group's business involves a number of non-functional currencies (New Taiwan dollar is the functional currency of the company and some subsidiaries, and RMB and Malaysian ringgit are the functional currencies of some subsidiaries). Therefore, the group is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	December 31, 2020				
				Sensitivity analysis	
	Foreign currency (thousand)	Exchange rate	Book value (NT$)	Range of change	Impact on profit and loss
(Foreign currency: functional currency)					
Financial assets					
Monetary item					
USD: NTD	$ 125,768	28.48	$ 3,581,873	1%	$ 35,819
USD: RMB	52,794	6.5249	1,500,053	1%	15,001
USD: MYR	50,365	4.0290	1,434,395	1%	14,344
Foreign operations					
USD: NTD	313,825	28.48	8,937,740		
Financial liabilities					
Monetary item					
USD: NTD	134,057	28.48	3,817,943	1%	38,179
USD: MYR	30,972	4.0290	882,083	1%	8,821
USD: RMB	39,476	6.5249	1,121,645	1%	11,216

	December 31, 2019			
	Foreign	Exchange	Book value	Sensitivity analysis

		currency (thousand)	rate	(NT$)	Range of change	Impact on profit and loss
(Foreign currency: functional currency)						
Financial assets						
Monetary item						
USD: NTD	$	153,855	29.98	$ 4,612,573	1%	$ 46,126
USD: RMB		110,500	7.0729	3,364,674	1%	33,647
USD: MYR		49,907	4.0866	1,496,212	1%	14,962
NTD: RMB		8,035	0.2323	8,035	1%	80
Foreign operations						
USD: NTD		301,059	29.98	9,025,735		
Financial liabilities						
Monetary item						
USD: NTD		177,341	29.98	5,316,683	1%	53,167
USD: MYR		11,771	4.0866	352,895	1%	3,529
USD: RMB		15,193	7.0729	462,620	1%	4,626

D. Nature

The Group’s currency items were under significant influence of exchange rate fluctuations in 2020 and 2019, with recognition of exchange income (including realized and unrealized items) amounting to a gain of NT$57,445 and NT$109,093, respectively.

Price risk

A. The group's equity instruments exposed to price risk are financial assets measured at fair value through other comprehensive income and equity investments available for sale. In order to manage the price risk of equity instrument investment, the group diversifies its portfolio in accordance with the limits set by the group.

B. The group mainly invests in equity instruments issued by domestic and foreign companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If there is an upward or downward adjustment of the equity instruments by 1% with all other factors remaining unchanged, the effect on other comprehensive income of gains or losses of equity investment classified as measured at fair value through other comprehensive income would increase or decrease by NT$23,677 and NT$26,073 in 2020 and 2019, respectively.

Cash flow and fair value interest rate risk

The interest rate risk of the group comes from short-term borrowings. Borrowings at fixed interest rates expose the group to an interest rate risk at fair value, but after assessment, the group has no significant interest rate risk.

(2) Credit risk

A. The credit risk of the group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill their contractual obligations, which mainly comes from the inability of the counterparties to repay the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at after-amortization cost.

B. In accordance with the internal credit policy, management and credit risk analysis shall be carried out on each operating entity within the group and each new customer before proposing terms and conditions for payment and delivery. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the board of directors based on internal or external ratings, and the use of credit lines is regularly monitored.

C. The basis for the group to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:

(A) When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.

(B) If a bond investment traded on the OTC market is rated as investment-grade by any external rating agency on the balance sheet date, the financial asset is considered to have a low credit risk.

D. When the investment target with an independent credit rating is adjusted downward by two levels, the group judges that the credit risk of the investment subject has increased significantly.

E. If the contract amount is overdue for more than 90 days under the conditions of payment, the Group shall deem it a breach of contract.

F. The group classifies notes receivable and accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit loss based on the loss rate method.

G. The indicators used by the group to determine the credit impairment of debt instrument investment are as follows:

(A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;
(B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;
(C) The issuer delays or fails to pay the interest or principal;
(D) Adverse changes in national or regional economic conditions leading to issuer default.

H. The aging analysis of notes receivable and accounts receivable (including those of related parties) is as follows:

	December 31, 2020	December 31, 2019
Not Past Due	$ 5,303,552	$ 6,551,220
Less than 90 days	20,552	145,506
91 ~ 180 days	257	263
More than 181 days	6,162	5,968
	$ 5,330,523	$ 6,702,957

The above is an aging analysis based on the number of overdue days.

1. Other receivables (including those of related parties)
The other receivables of the Group are mainly income tax refund receivable, receivable advance payments for a third party, and overdue accounts receivable. There is no concern for material breach of contract or declined payment. Therefore, the Company recognized provision for loss on the basis of the amount of expected credit loss in a period of 12 months. As of December 31, 2020 and 2019, the Group recognized provision for loss amounting to NT$0.

J. The Group classified the accounts receivable of the customers according to the characteristics of the credit rating of the customers, and considered the adjustment of rate of loss on the basis of historical information and information at present time with foresight to estimate the provision for loss on notes and accounts receivable. The method for estimating the loss rate on December 31, 2020 and 2019 is as follows:

	Group 1	Group 2	Group 3	Group 4	Total
December 31, 2020					
Expected loss rate	0.04%	0.04%	0.09%	0.1%~100%	
Total Book value	$ 4,882,814	$ 425,661	$ -	$ 22,048	$ 5,330,523
Allowance for loss	$ 1,953	$ 170	$ -	$ 4,959	$ 7,082

	Group 1	Group 2	Group 3	Group 4	Total
December 31, 2019					
Expected loss rate	0.03%	0.03%	0.07%	0.1%~100%	
Total Book value	$ 5,897,743	$ 769,776	$ 51	$ 35,387	$ 6,702,957
Allowance for loss	$ 1,769	$ 231	$ -	$ 2,720	$ 4,720

Group 1: Rated A by Standard & Poor's, Fitch or Moody's, or no external agency rating, and rated A according to the group's credit standards.
Group 2: Rated BBB by Standard & Poor's or Fitch, or Baa by Moody's, or no external agency rating, and rated B or C according to the group's credit standards.
Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.
Group 4: No external agency rating, and non-A, B, or C rated customers according to the group's credit standards.

K. The simplified statement of changes in the allowance for loss of accounts receivable and other receivables (including those of related parties) of the group is as follows:

	2020
January 1	$ 4,720
Recognition of impairment loss	15,297
Irrecoverable amount written off	(12,644)
Net exchange difference	(291)
December 31	$ 7,082

	2019
January 1	$ 17,272
Reversal of impairment loss	(12,603)
Net exchange difference	51
December 31	$ 4,720

L. All the Group’s investments in debt instruments measured at amortized cost as were at low credit risk as of December 31, 2020 and 2019. Therefore, the book value was measured on the basis of the expected credit loss in a period of 12 months after the balance sheet day.

(3) Liquidity risk

A. the cash flow forecast is carried out by each operating entity within the group and summarized by the group’s finance department. The group’s finance department monitors the forecast of the group's liquidity funds demand to ensure that it has sufficient funds to meet operational needs, and maintains sufficient unspent loan commitments at all times so that the group will not exceed the relevant borrowing limits or violate the terms. These forecasts take into account the group's debt financing plan, compliance with debt terms, and compliance with the financial ratios in the internal balance sheet and external regulatory requirements, such as foreign exchange control.

B. When the remaining cash held by the group exceeds the requirement for the management of working capital, the finance department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits and securities, and the instruments selected to have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity, and it is expected that cash flow will be generated immediately for the management of liquidity risk.

C. The following table shows the grouping of the group's non-derivative financial liabilities according to their maturity dates. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the contract maturity date. The amount of contractual cash flow disclosed in the table below is the undiscounted amount.

December 31, 2020	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
Non-derivative financial liabilities:				
Lease liabilities	$ 78,281	$ 74,930	$ 77,214	$ 230,425

December 31, 2019	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
Non-derivative financial liabilities:				
Lease liabilities	$ 86,512	$ 76,571	$ 148,568	$ 311,651

In addition to the above, the group's non-derivative financial liabilities are all due within the next year.

Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks and beneficiary certificates invested by the group belongs to this level.

Level 2: The input value of assets or liabilities are directly or indirectly observable, except those in Level 1. The fair value of the derivative instruments invested by the group belongs to this level.

Level 3: The input value of assets or liabilities are unobservable. The equity instruments invested by the group without an active market belong to this level.

2. Financial instruments not measured at fair value

The book values of the group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets measured at after-amortization cost, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, other receivables, lease liabilities and other current liabilities) are reasonable approximations of their fair values.

3. For the group’s financial and non-financial instruments measured at fair value, the group classifies them according to the nature, characteristics, risk, and fair value level of the assets and liabilities. The relevant information is as follows:

The information about the group's classification of its assets and liabilities by their nature is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Repetitive fair value				
Financial assets at FVTPL				
-Open-end funds	$ 50,916	$ -	$ -	$ 50,916
-Foreign exchange forward contracts	-	3,334	-	3,334
	$ 50,916	$ 3,334	$ -	$ 54,250
Financial assets measured at fair value through other comprehensive income				
- Equity securities	$ 1,166,154	$ -	$ 1,201,559	$ 2,367,713

December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Repetitive fair value				
Financial assets at FVTPL				
-Open-end funds	$ 77,272	$ -	$ -	$ 77,272
-Foreign exchange forward contracts	-	4,239	-	4,239
	$ 77,272	$ 4,239	$ -	$ 81,511
Financial assets at FVTOCI				
- Equity securities	$ 855,546	$ -	$ 1,751,723	$ 2,607,269

The methods and assumptions used by the group to measure fair value are as follows:

A. If the group adopts a market quotation as the input value of fair value (i.e. level 1), the characteristics of the instruments are as follows:

	Listed and OTC stocks	Open-end funds
Market quotation	Closing price	Net value

B. Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. The fair value obtained through the evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including using models to calculate market information available on the consolidated balance sheet date.

C. When evaluating non-standardized and less complex financial instruments, such as debt instruments and options without an active market, the group adopts the evaluation techniques widely used by market participants. The parameters used in the evaluation model of such financial instruments are usually market observable information.

D. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as the discount method and the option pricing model. Foreign exchange forward contracts are usually evaluated according to the current forward exchange rate. Structured interest rate derivative financial instruments are based on the appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.

E. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the group's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.

4. There were no transfers between Level 1 and Level 2 in 2020 and 2019.

5. The following table shows the changes in Level 3 in 2020 and 2019:

	Equity securities	
	2020	2019
January 1	$ 1,751,723	$ 1,801,761
Profit(loss) recognized in other comprehensive income	483,413	(8,710)
Net exchange difference	(66,751)	41,328
December 31	$ 1,201,559	$ 1,751,723

6. For the fair value of level 3 instruments of the group, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. The evaluation results are close to the market status through independent sources of information, and the data sources are independent, reliable, consistent with other resources, and represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.

In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.

7. The quantitative information about the significant unobservable input value of the evaluation model used for level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

	Fair value on December 31, 2020	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed and non-OTC stocks	$ 1,134,447	Net asset value method	Lack of market liquidity discount	24%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non-OTC stocks	67,112	Market method	Price–to-book ratio	1.27	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

	Fair value on December 31, 2019	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed and non-OTC stocks	$ 1,682,403	Net asset value method	Lack of market liquidity discount	29%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non-OTC stocks	69,320	Market method	Price–to-book ratio	1.28	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

8. The group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	December 31, 2020	Lack of market liquidity discount	±1%	$ 3,668	($ 3,668)
Equity instruments	December 31, 2020	Price–to-book ratio	±1%	$ 527	($ 527)

Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	December 31, 2019	Lack of market liquidity discount	±1%	$ 5,443	($ 5,443)
Equity instruments	December 31, 2019	Price–to-book ratio	±1%	$ 540	($ 540)

Additional Disclosures

Information about significant transactions

1. Loans to others: Please refer to Table 1.

2. Endorsements/guarantees provided: Please refer to Table 2.

3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and jointly controlled entities): Please refer to Table 3.

4. The cumulative amount of buying or selling the same securities reaches NT$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.

5. The cumulative amount of property purchase reaches NT$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.

6. The cumulative amount of property disposal reaches NT$300 million or more, or 20% of the paid-in capital: The company and the investee companies do not have this situation.

7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please refer to Table 4.

8. Total accounts receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please refer to Table 5.

9. Engagement in derivatives trading: Please refer to note 6(2).

10. Relationship, significant transactions and their amounts between the company and its subsidiaries: Please refer to Table 6.

Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 7.

Information on investments in mainland China

1. Basic information: Please refer to Table 8.

2. Major transactions directly with investee companies in the mainland China or indirectly through a third regional enterprise: Please refer to Tables 4, 5 and 6.

Information on major shareholders

Information of major shareholders: Please refer to Table 9.

Operation Department Information

General information

The main businesses of the Group are the development, manufacturing and sales of electronic components such as electronic signal cables, connectors, electronic signal cables with connectors, printed circuit boards and precision molds, and computer peripheral products. The operation decision-makers also operate various businesses from the perspective of product categories and develop businesses according to different market attributes and demands. At present, the Group is mainly divided into the "Electronic Components Segment" and "Consumer Electronics and Computer Peripherals Segment," which are also the segments to be reported.

The information of each operating segments is compiled in accordance with the accounting policies of the Group. The main operational decision-makers of the group mainly use the income and pre-tax profit and loss of each operating department as indicators for performance evaluation and resource allocation.

Segments Information

Information on the reportable departments as provided to major operational decision-makers is as follows:

2020	Electronic Components	Consumer Electronics and Computer Peripherals	Total
Segment Revenue	$ 12,891,364	$ 7,656,349	$ 20,547,713
Segment Profit	$ 806,377	$ 463,652	$ 1,270,029

2019	Electronic Components	Consumer Electronics and Computer Peripherals	Total
Segment Revenue	$ 17,248,636	$ 7,656,349	$ 20,547,713
Segment Profit	$ 1,068,887	$ 463,652	$ 1,270,029

Note: Since the measured amount of the assets of the operating department is not provided to the operation decision-maker, the measured amount of the assets should be disclosed as zero.

Information on the adjustment to the income and profit and loss of the segments to be reported

Since the income of the segments to be reported is the income of the enterprise, there is no need to adjust it. In addition, the adjustments to the profit and loss of the segments to be reported and to the pre-tax profit and loss of continuing operating segments are as follows:

Income	2020	2019

Profit and loss of the segments to be reported	$ 1,270,029	$ 1,411,265
Other profit and loss	(76,763)	(118,845)
Pre-tax profit and loss of continuing operating segments	$ 1,193,266	$ 1,530,110

Information on product type and service type

The revenue of external customers is mainly from the sale of the aforementioned segments for reporting. Segments for reporting are differentiated by product. Therefore, income by product type should be the income of the segments in the report.

Information on the regions

Information of the Group by region in 2020 and 2019 is shown below:

	2020		2019	
	Income	Non-Current Assets	Income	Non-Current Assets
Mainland China	$ 9,461,754	$ 1,335,055	$ 12,709,057	$ 1,417,167
Hong Kong	2,788,589	–	4,012,303	–
Malaysia	2,846,724	859,882	1,908,557	819,983
USA	1,563,317	523	2,017,861	497
Taiwan	2,283,819	1,287,351	2,393,265	980,516
Others	1.603.510	1,134,449	2,559,665	1,682,414
	$ 20,547,713	$ 4,617,260	$ 25,600,708	$ 4,900,577

Information on key customers

Customers accounting for more than 10% of the sales revenue as stated in the Group's Consolidated Income Statement of 2020 and 2019:

	2020	2019
Customer Group A	$ 7,772,303	$ 11,088,751

Pan-International Industrial Corp. and Subsidiaries

Loans to others

January 1 to December 31, 2020

Table 1

Unit: NTD thousand
(unless otherwise noted)

Serial No. (Note 1)	Loan extending company	Borrower	Dealing items (Note 2)	Whether a related party	Maximum amount of the period (Note 3)	Ending balance (Note 8)	Transaction Amounts	Interest Rate	Loan nature (Note 4)	Business Transaction Amounts (Note 5)	Reason for short-term financing (Note 6)	Provision for allowance for loss for bad debt	Collateral		Loans limits for individual entities (Note 7)	Total loan limit (Note 7)	Remarks
													Name	Value			
0	Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD	Other receivables - related parties	Yes	$ 333,905	$ 313,280	$ 284,800	1.00%	Short-term financing	$ -	Operating turnover	None.	None.	None.	$ 1,116,579	$ 4,466,316	
0	Pan-International Industrial Corp.	Tekcon Electronics Corporation	Other receivables - related parties	Yes	200,000	-	-	-	Short-term financing	-	Operating turnover	None.	None.	None.	1,116,579	4,466,316	

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: Total loan amount: For loans lent out to companies or entities with the need for short-term financing, the total amount of loans shall not exceed 40% of the Company's net worth.

The loan limit for individual entities: For companies or firms with the need for short-term financing, the number of loans to each individual entity shall not exceed 10% of the company's net worth.

Note 8: If a public company submits its lending to the Board of Directors' meeting for resolution case by case in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the Board of Directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out;

if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration.

Pan-International Industrial Corp. and Subsidiaries

Endorsement/guarantee provided

January 1 to December 31, 2020

Table 2

Unit: NTD thousand

(unless otherwise noted)

Serial No. (Note 1)	Name of company of the endorsement/guarantee	Guaranteed Party		Endorsement/guarantee limit for a single enterprise (Note 3)	Maximum endorsement/guarantee balance of the period (Note 4)	Endorsement/guarantee balance of the period (Note 5)	Transaction Amounts (Note 6)	Amount of endorsement/guarantee backed by assets	Ratio of the cumulative endorsement/guarantee amount to the net value in the latest financial report	Endorsement/guarantee limit (Note 3)	Endorsement/guarantee from the parent company to subsidiary (note 7)	Endorsement/guarantee from subsidiary to parent company (note 7)	Endorsement/guarantee to entities in the Mainland China (Note 7)	Remarks
		Company name	Relation (Note 2)											
1	P.I.E INDUSTRIAL BERHAD	PANINTERNATIONAL ELECTRONICS(M) SDN.BHD.	2	1,630,231	1,175,512	1,121,756	261,156	-	10.05	3,260,462	Y	N	N	
1	P.I.E INDUSTRIAL BERHAD	PANINTERNATIONAL WIRE&CABLE(M) SDN.BHD.	2	1,630,231	90,258	88,667	3,393	-	0.79	3,260,462	Y	N	N	

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the borrower as follows; simply mark the type:

(1). A company with business relations.

(2). A company with more than 50% of its voting shares is directly or indirectly held by the company.

(3). A company directly or indirectly holding more than 50% of the voting shares of the company.

(4). A company with more than 90% of its voting shares is directly or indirectly held by the company.

(5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.

(6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

(7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The total amount of external endorsements/guarantees shall not exceed 100% of the Company's net value, and the limit of endorsements/guarantees for a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company and its subsidiaries to others shall not exceed 100% of the Company’s net value; the total amount of endorsements/guarantees by the Company and its subsidiaries to a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors’ meeting shall be filled in. However, if the Board of Directors’ meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Pan-International Industrial Corp. and Subsidiaries

Marketable securities held at period end (excluding investment in subsidiaries, associates, and jointly controlled entities).

December 31, 2020

Table 3

Unit: NTD thousand

(unless otherwise noted)

Holding Company Name	Type of marketable securities	Name of marketable securities	Relationship with the Holding Company	financial report Account	March 31, 2020 Number of shares/beneficiary certificates	Book value	Shares Ratio	Fair value	Remarks
Pan-International Industrial Corp.	Common share	Innolux Corporation	None.	Financial assets measured at fair value through other comprehensive income - Non-current	82,705,987	$ 1,166,154	0.85	$ 1,166,154	
Pan-International Industrial Corp.	Common share	WK Technology Fund	None.	Financial assets measured at fair value through other comprehensive income - Non-current	84,378	173	0.42	173	
Pan-International Industrial Corp.	Common share	Syntrend Creative Park Co., Ltd.	The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd.	Financial assets measured at fair value through other comprehensive income - Non-current	12,831,500	66,939	5.23	66,939	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	EASTSPRING INVESTMENTS ISLAMIC INCOME FUND	None.	Financial assets at FVTPL - Current	22,913	84	-	84	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG AIIMAN MONEY MARKET FUND I	None.	Financial assets at FVTPL - Current	11,481,979	43,454	0.04	43,454	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG USD CASH FUND	None.	Financial assets at FVTPL - Current	254,743	7,378	0.96	7,378	
Yen Yung International Investment Co., Ltd	Common share	Lico Technology Corporation	None.	Financial assets measured at fair value through other comprehensive income - Non-current	3,400,000	-	2.73	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	UER HOLDINGS CORPORATION	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through income - Non-current	1,781,979	-	8.22	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	FSK HOLDINGS LIMITED	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	50,400,000	63,537	17.50	63,537	
PAN GLOBAL HOLDING CO., LTD.	Common share	CYBERTAN TECHNOLOGY CORP.	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	22,519,097	1,070,910	16.87	1,070,910	

Pan-International Industrial Corp. and Subsidiaries
Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.
December 31, 2020

Table 4

Unit: NTD thousand
(unless otherwise noted)

			Transaction Details				Differences in transaction terms from those of general transactions and reasons		Note/Accounts Receivable (Payable)		Remarks
Buyer/Seller	Related Party	Relation	Purchase (Sale)	Amount	Percentage over total purchase (sale)	Credit period	Unit Price	Credit period	Balance	Percentage over total notes and accounts receivable (payable)	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	Subsidiary of the Company’s indirect reinvestment	Sales	$ 263,853	2	Monthly settlement 120 days T/T	No sale to other customers with no basis for comparison	No significant difference	$ 9,129	-	
Pan-International Industrial Corp.	Sharp (Taiwan) Electronics Corporation	Other related parties	Sales	331,237	3	Monthly settlement 30 days T/T	No sale to other customers with no basis for comparison	No significant difference	64	-	
Pan-International Industrial Corp.	Fu Gui Kong Precision Electronic (Guizhou) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	147,139	1	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	17,750	1	
Pan-International Industrial Corp.	Hongfujin Precision Electronics (Chongqing) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	167,054	1	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	44,910	2	
Pan-International Industrial Corp.	Hongfujin Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,264,663	10	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	21,305	1	
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	350,410	3	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	100,933	4	
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,037,591	9	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	785,974	32	
Pan-International Industrial Corp.	Futaijing Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,402,003	12	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	4,954	-	
Pan-International Industrial Corp.	FIH (Hongkong) Mobil Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	728,992	6	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	226,809	9	
Pan-International Industrial Corp.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	Sales	201,470	2	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	79,963	3	
Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the Company’s indirect reinvestment	Purchase	3,366,311	30	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(558,016)	(28)	
Pan-International Industrial Corp.	Dongguan Pan-International Precision Electronics Co., Ltd.	Subsidiary of the Company’s indirect reinvestment	Purchase	1,026,728	9	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(255,763)	(13)	
Pan-International Industrial Corp.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	1,608,818	14	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(483,012)	(25)	
Pan-International Industrial Corp.	Sharp Corporation	Other related parties	Purchase	2,352,877	21	30 days after invoice day	A single supplier with no basis for comparison	No significant difference	(-)	-	
Dongguan Pan-International Precision Electronics Co., Ltd.	Dongguan Pan-International Electronics Co., Ltd.	Subsidiary of the Company’s indirect reinvestment	Sales	125,583	9	90 days. However, the payment terms will be adjusted according to the working capital needs.	No sale to other customers with no basis for comparison	No significant difference	2,480	1	
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,663,031	98	Monthly settlement 60 days T/T	No sale to other customers with no basis for comparison	No significant difference	433,199	99	

Pan-International Industrial Corp. and Subsidiaries

Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.

December 31, 2020

Table 4

Unit: NTD thousand

(unless otherwise noted)

			Transaction Details				Differences in transaction terms from those of general transactions and reasons		Note/Accounts Receivable (Payable)		Remarks
Buyer/Seller	Related Party	Relation	Purchase (Sale)	Amount	Percentage over total purchase (sale)	Credit period	Unit Price	Credit period	Balance	Percentage over total notes and accounts receivable (payable)	
PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD.	S&O ELECTRONICS (Malaysia) SDN BHD	Other related parties	Sales	$ 1,243,417	26	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	$ 562,074	39	
PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD.	Foxconn Technology Co., Ltd	Other related parties	Purchase	1,037,321	23	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(241,929)	(26)	
PAN-INDUSTRIAL ELECTRONICS(M) SDN. BHD.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	Purchase	273,012	6	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(28,830)	(3)	
Tekcon Electronics Corporation	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	328,018	70	Monthly settlement 120 days	A single supplier with no basis for comparison	No significant difference	(218,532)	(81)	
Tekcon Huizhou Electronics Co., Ltd.	Huaian Fulitong Trade Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	291,083	70	Monthly settlement 120 days	A single supplier with no basis for comparison	No significant difference	(261,074)	(86)	

Pan-International Industrial Corp. and Subsidiaries

Total accounts receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital or more.

December 31, 2020

Table 5

Unit: NTD thousand
(unless otherwise noted)

Company Name	Related Party	Relation	Balance of accounts receivable from related parties	Turnover Rate	Overdue		Accounts receivable from related parties recovered after the period	Provision for bad debt
					Amount	Actions Taken		
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	100,933	3.06	-	Payment received after the period	26,758	40
Pan-International Industrial Corp.	FIH (Hongkong) Mobil Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	226,809	1.62	-	Payment received after the period	92,330	91
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	785,974	1.98	74	Payment received after the period	350,985	314
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	The Company’s parent company	558,016	7.80	-	Payment received after the period	323,852	223
Dongguan Pan-International Precision Electronics Co., Ltd.	Pan-International Industrial Corp.	The Company’s parent company	255,763	3.04	-	Payment received after the period	307,025	-
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	433,199	3.82	-	Payment received after the period	212,853	173
Dongguan Pan-International Electronics Co., Ltd.	Champ Tech Optical (Foshan) Corporation	Other related parties	113,546	2.61	-	Payment received after the period	63,538	45
Pan-International Electronics(M) Sdn.Bhd.	S&O Electronics (Malaysia) Sdn Bhd	Other related parties	562,074	4.42	161,323	Payment received after the period	191,404	9

Pan-International Industrial Corp. and Subsidiaries

Significant Inter-company Transactions during the Reporting Period

December 31, 2020

Table 6

Unit: NTD thousand

(unless otherwise noted)

Serial No. (Note 1)	Transaction Company	Counterparty	Relationship with the transaction parties (Note 2)	Description of Transactions (note 4)				
				Account		Amount	Transaction Terms	Percentage over consolidated total revenue or total assets (note 3)
0	Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	1	Sales	$	263,853	Note 5	1
0	Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	1	Purchase		3,366,311	Note 7	16
0	Pan-International Industrial Corp.	Dongguan Pan-International Precision Electronics Co., Ltd.	1	Purchase		1,026,728	Note 7	5
0	Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD.	1	Other receivables		389,596	Not applicable	2
1	Dongguan Pan-International Precision Electronics Co., Ltd.	Dongguan Pan-International Electronics Co., Ltd.	3	Sales		125,583	Note 6	1
1	Dongguan Pan-International Precision Electronics Co., Ltd.	Pan-International Electronics Inc.	2	Accounts receivable		255,763	Note 7	1
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Electronics Inc.	2	Accounts receivable		558,016	Note 7	3

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:

(1) Fill in 0 for the parent company.

(2) 1 to 6 - subsidiaries.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if the parent company has disclosed its transactions with subsidiaries, it is not necessary for the subsidiaries to repeat the disclosure. If one subsidiary has transactions with another subsidiary and one of the subsidiaries has made a disclosure,

the other is not required to repeat the disclosure.

(1) Parent company with a subsidiary.

(2) A subsidiary with the parent company.

(3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NT$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is 90 days monthly settlement. The terms of payment are adjusted according to the demand for working capital.

Note 7: Transaction prices are negotiated and the collection period is 90 days monthly settlement.

Pan-International Industrial Corp. and Subsidiaries

The name and location of the investee company and other relevant information (excluding investee companies in Mainland China)

January 1 to December 31, 2020

Table 7

Unit: NTD thousand

(unless otherwise noted)

Investor	Investor Company	Location	Main Businesses and Products	Original Investment Amount: March 31, 2020	Original Investment Amount: End of last year	As of March 31, 2020: Shares	As of March 31, 2020: Ratio	As of March 31, 2020: Book value	Net income (loss) of the Investee for current period	Investment gains and losses recognized in the current period	Remarks
Pan-International Industrial Corp.	Pan Global Holding Co., Ltd.	The British Virgin Islands	Holding company	$ 3,472,484	$ 3,472,484	$ 12,220	100	$ 8,741,959	$ 463,355	$ 463,355	
Pan-International Industrial Corp.	Pan-International Electronics Inc.	USA	Sale of electronic products	73,142	73,142	28,000	100	195,781	13,211	13,211	
Pan-International Industrial Corp.	Yen Yung International Investment Co., Ltd	Taiwan	Investment company	473,997	473,997	44,316,236	100	316,328	(135,224)	(135,224)	
Yen Yung International Investment Co., Ltd	Tekcon Electronics Corporation	Taiwan	Manufacturing and sale of connectors for electronic signal cables	393,898	393,898	21,960,504	83.58	196,339	(161,744)	(135,185)	
PAN GLOBAL HOLDING CO., LTD.	P.I.E. INDUSTRIAL BERHAD (PIB)	Malaysia	Holding company	39,730	39,730	197,459,985	51.42	1,676,530	316,722	162,859	Note 1
PAN GLOBAL HOLDING CO., LTD.	GREAT HAVEN HOLDINGS LTD. (GHH)	The British Virgin Islands	Holding company	549,664	549,664	19,800,000	100	76,951	117	117	Note 2
PAN GLOBAL HOLDING CO., LTD.	BRISTECH INTERNATIONAL LTD. (BIL)	The British Virgin Islands	Holding company	-	-	-	-	-	5	5	
PAN GLOBAL HOLDING CO., LTD.	GREAT SUPPORT INTERNATIONAL LTD. (GSI)	The British Virgin Islands	Processing of electronic products	-	-	-	-	-	(1)	(1)	
PAN GLOBAL HOLDING CO., LTD.	BEYOND ACHIEVE ENTERPRISE LTD. (BAE)	The British Virgin Islands	Holding company	273,408	279,408	9,600,000	100	638,272	(49,171)	(49,171)	Note 3
PAN GLOBAL HOLDING CO., LTD.	TEAM UNION INTERNATIONAL LTD. (TUI)	Hong Kong	Holding company	467,072	467,072	3,120,001	100	746,550	71,694	71,694	Note 4
PAN GLOBAL HOLDING CO., LTD.	EAST HONEST HOLDINGS LIMITED (EHH)	Hong Kong	Holding company	3,053,551	3,053,551	665,799,420	100	4,297,397	369,840	369,840	Note 5
PAN GLOBAL HOLDING CO., LTD.	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	646,000	646,000	20,187,500	16.82	580,069	(15,657)	(24,513)	
Tekcon Electronics Corporation	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	250,000	250,000	7,812,500	5.44	224,485	(15,657)	(9,488)	

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company mainly reinvests in NCIH International Holdings Limited indirectly through GHH. It was dissolved in September 2020.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Dongguan Pan-International Precision Electronics Co., Ltd. indirectly through TUI. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp. and Subsidiaries

Mainland China investment information - Basic information

January 1 to December 31, 2020

Table 8

Unit: NTD thousand
(unless otherwise noted)

Name of the investee in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investments (Note 2)	Cumulative outward remittance of investment amount from Taiwan at the beginning of the period	Investment Flows of current period: Outward	Investment Flows of current period: Inward	Cumulative outward remittance of the investment amount from Taiwan in the period end	Net income (loss) of the Investee for current period	% Ownership of Direct or Indirect Investment	Investment gains and losses recognized in the current period (Note 3)	Book value of the investment at the end of the period	Investment gains repatriated as of the end of the period	Remarks
Dongguan Pan-International Precision Electronics Co., Ltd.	Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs.	$ 467,072	2	$ 356,000	$ -	$ -	$ 356,000	$ 71,694	100	$ 71,694	$ 746,550	$ -	Note 6
Fuyu Property (Shanghai) Co., Ltd.	Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio-visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above.	7,917,440	2	776,080	-	-	776,080	(117,591)	16.87	-	1,070,910	-	
New Ocean Precision Component (Jiangxi) Co., Ltd.	Manufacturing and operation of various types of plugs and sockets and telecommunications.	273,408	2	-	-	-	-	(49,171)	100	(49,171)	638,272	-	
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Production and sale of hard single (double) side printed circuit boards, hard multi-layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards	2,443,584	2	2,520,480	-	-	2,520,480	458,422	100	458,422	3,529,081	-	Note 4

Company name	The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 5 and 6)	Investment amount approved by the Investment Commission, MOEA	In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 7).
Pan-International Industrial Corp.	$ 4,038,208	$ 5,765,474	$ -

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: The field of investment gains and losses recognized in the current period is recognized under the audited financial statements.

Note 4: In the first quarter of 2012, the Company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 5: As of December 31, 2020, the Company has the following investment withdrawal cases approved by the Investment Commission of the Ministry of Economic Affairs:

Date	Approval letter No.	Investor Company	Original investment amount remitted from Taiwan	
September 5, 2003	0920028972	Dongguan Junwang Technology Co., Ltd.	USD	91 thousand
December 9, 2010	09900496780	Saibo Digital Technology (Guangzhou) Co., Ltd.		476 thousand
May 30, 2011	10000205680	Yunnan Saibo Digital Technology Co., Ltd.		190 thousand
May 30, 2011	10000205690	Chongqing Saibotel Digital Square Co., Ltd.		454 thousand
May 30, 2011	10000205700	Nanchong Saibo Digital Square Co., Ltd.		58 thousand
March 22, 2017	10600038030	UER Battery Technology (Shenzhen) Co., Ltd.		1,100 thousand
May 9, 2017	10630024870	Ganchuang International Trade (Shenzhen) Co., Ltd.		8,650 thousand
			USD	11,019 thousand

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 6: In November 2011, the Company was granted a document, IC(II) No. 10000518690 by the Investment Commission, MOEA that approved the rescission of the unexecuted investment amount of US$500 thousand for Dongguan Pan-International Precision Electronics Co., Ltd.

On October 30, 2014, the Company was granted a document, IC(II) No. 10300233110 by the Investment Commission, MOEA that approved the transferring of Cyberport Digital Tech (Qingdao) Co., Ltd, and 41 other companies to Le Zhiwan Ranch Holding Investment Ltd. (Samoa);

In March 2017, the Company was granted a document, IC(II) No. 10600038030 by the Investment Commission, MOEA that approved the rescission of unexecuted investment amount of US$5.2 million for UER Battery Technology (Shenzhen) Co., Ltd..

Note 7: In December 2019, the Company was granted a document, IDB No. 10820432920 by the Industrial Development Bureau, MOEA, certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 3, 2022.

Pan-International Industrial Corp. and Subsidiaries

Information on major shareholders

December 31, 2020

Table 9

Name of major shareholders	Share	
	Number of shares held	Shares Ratio
Hon Hai Precision Industry Co., Ltd.	107,776,254	20.79%

Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed scriptless registration (including treasury shares).

The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.

Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.

Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

Note 4: Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have completed scriptless registration.

Note 5: Total number of shares that have completed scriptless registration (including treasury shares) that have completed dematerialized registration and delivery is 518,346,282 shares = 518,346,282 (common shares) + 0 (preferred shares).