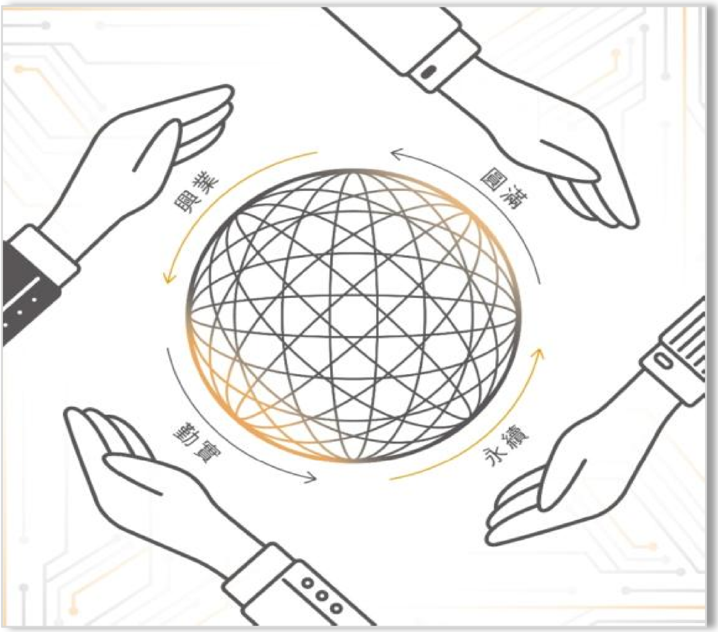
Stock Code: 2428

興勤電子工業股份有限公司
THINKING ELECTRONIC INDUSTRIAL CO., LTD.

2020 Annual Report



<u>*Notice to readers*</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw
Annual Report is available at: https://www.thinking.com.tw
Printed on May 14, 2021

I. Spokesperson and Acting Spokesperson

Name of spokesperson	:	Ho, Yi-Sheng
Position	:	President
Telephone	:	(07)557-7660
Email	:	ir@thinking.com.tw
Name of acting spokesperson	:	Hung, Yu-Fang
Position	:	Manager of Finance Department
Telephone	:	(07)557-7660
Email	:	ir@thinking.com.tw

II. Address and telephone of main office/branch office/plant

Address of Main Management Department	:	8F-1, No. 93, Dashun 1st Road, Zuoying District, Kaohsiung City
Telephone	:	(07)557-7660
Address of Branch Office	:	No.51, Kaifa Road, Nanzi District, Kaohsiung City
Telephone	:	(07)961-6668
Address of Factory	:	No. 21, Lane 373, Minzu 1st Road, Sanmin District, Kaohsiung City
Telephone	:	(07)386-2591

III. Stock Transfer Agent

Name	:	Registrar of President Securities Corporation
Address	:	B1, No. 8, Dongxing Road, Songshan District, Taipei City
Website	:	www.pscnet.com.tw
Telephone	:	(02)2746-3797

IV. CPA for the Financial Statement of the Most Recent Year

Name of CPA	:	Chiang Jia-Ling, Wu Chiu-Yen
Name of Firm	:	Deloitte & Touche
Website	:	http://www.deloitte.com.tw
Address	:	3F, No. 88, Chenggong 2nd Road, Qianzhen District, Kaohsiung City
Telephone	:	(07)530-1888

V. Overseas Securities Exchange: None

VI. Company website: http://www.thinking.com.tw

Contents

I. Letter to Shareholders

Dear Shareholders,

The Company always uses the best effort to manage it products and keep serving as a goalkeeper for current protection, voltage protection and temperature protection, by upholding the enterprise spirit “Prosperity, Satisfaction, Diligence and Sustainability”. Fearless of fluctuation in the global economy, the Company respond to them by improving the Group's management, diversifying the market strategies, stabilizing financial structure and adopting reasonable cause and effect, in order to seize any new opportunities.

1.1 Business report:

i. Results:

The consolidated turnover was NT$5,920,258 thousand, growing by 1.82% from the previous year. The consolidated net profit after tax was NT$1,380,603 thousand, growing by 23.79% from the previous year. The EPS was NT$10.81.

ii. Execution of budget: N/A.

iii. Analysis on financial receipts and expenditures, and profitability:

The Company's financial receipts and expenditures and profitability 2020 are analyzed as follows:

Unit: NT$ Thousand

Item	Year	2020	2019
Financial receipts and expenditures	Operating revenue, net	5,920,258	5,814,232
	Gross profit	2,714,605	2,340,329
	Current net profit	1,380,603	1,115,265
Profitability	ROA	14.03%	13.17%
	ROE	19.77%	17.73%
	Operating income to paid-in capital ratio	143.86%	113.09%
	EBT to paid-in capital ratio	145.75%	118.15%
	Net profit margin	23.31%	19.18%
	EPS after tax (NT$)	10.81	8.71

iv. Research and development:

(1) Complete the SMD 0201 small-size NTC Thermistor model development.

(2) Complete the SMD 0201 small-size PTC Thermistor model development.

(3) Complete the development of chips for high-precision medical treatment devices, including nucleic acid detection, infrared temperature sensors, and thermometers, etc.

(4) Development of high-reliability NTC Thermistor for automobile, including components for charging pile and lithium battery monitoring, etc., to expand the application of products.

(5) Complete the development of SMD TSM 0201 soft cutting process glass protective layer products.

(6) Complete LCP small-size 0402 30V high-voltage products, and implement mass production.

(7) Complete the preparation for mass production of SMD 0805 PTC Thermistor (1.0 Ω and other low-resistance series).

(8) Complete the development of PTC Thermistor SMD 0603 low-resistance series (10Ω and 6.8Ω).

(9) Complete the development of, and preparation for mass production of, certain models of TVM SMD 4B 6B series 5G high-pass Varistors.

(10) Complete the development of certain models of SMD 1206 high-pass Varistors.

(11) Complete the development of 0806 SMD high-pass Varistors for LED, acquire UL certification, and start mass production and shipment.

(12) Complete the development of 1210 SMD high-pass Varistors for LED.

(13) Complete the development of CPTC overcurrent/overvoltage-protection lead-free products.

(14) Complete the development of 48V TVR product series for automotive grade.

(15) Complete the development of CPTC high-pressure resistant product series.

1.2 Summary of 2021 business plan:

i. Business policy

(1) Continue to apply the management philosophy, “New Concept, New Management, New Technology and New Market”, to maintain the existing market, amplify the management results in the new markets including automobiles and industry, and move forward toward the new markets including 5G communication and health care.

(2) Manage the production locations, practice the economy of scale, increase automated equipment, adjust the product portfolio, and launch into the high-end application market.

(3) Continue to boost the miniaturization of products, invest in corresponding equipment and technology, and win the market.

(4) Improve the sales activities of quality products, focus on benchmarking markets and major customers, and promote the business gross profit.

ii. Expected sales volume and basis thereof

The electric vehicles, which replace fuel vehicles, and electronization of car controls have been identified as the main force to drive the electronics industry. 5G base stations already successively activated in various countries and launch of the 5G smartphones that become the mainstream specifications in the world have become mainstream specifications have been launched all over the world boost the booming business opportunities in the communications market. The plans which are suspended due to the epidemic in the automated and intellectualized industrial application and infrastructure market must be inevitably reinstated in the coming year. COVID-19 drives certain new needs for medical electronic products. The market is rapidly expanding and growing. These factors bring an optimistic vision for the business. Notwithstanding, the Sino-US trade war is still persisting. The epidemic keeps spreading in Europe and the USA. The global economy might not be as successful as it appears to. All of these are considered negative factors affecting the Company's business development. The Company integrates major customers' business forecast for the new year with the plan to develop new markets, and generates the sales forecast for the new year. The sales value 2021 are expected to be significantly higher than the sales in 2020. Apparently, the sales will keep growing as the major trend.

iii. Key production and sales policies

(1) Production policy:

A. Supply management:

(a) Improve the Group's diversified and multi-point supply model and practice the Group factory's multi-source production, hoping to mitigate the risk over shortage of materials for customers and better serve the needs in the delivery market, and generally upgrade the customer service speed as the starting point.

(b) Improve various factories' information system operations, connect the information flow of the production execution system, MES, and strengthen the inventory management at various factories to optimize the inventory aging and maximize the product turnover, in order to serve the purpose of "smooth flow of goods".

B. Production management: (three improvement actions and one stabilization policy)

(a) HR: Improve HR training and expertise & stabilization requirements toward key process personnel.

(b) Machine: Continue to improve the production automation.

(c) Materials: Recognize multiple customer sources of materials to mitigate the effect to be posed by variation of related factors to the supply of goods; adopt strategic procurement policy toward major materials to control the fluctuation in costs effectively and input and output strictly.

(d) Methods:

d-1 IT-based management and digitized management.

d-2 Pursue lean production, eliminate low-value work, and focus on high-yield actions.

d-3 To exercise departments' operational effectiveness, the Group's factories and entities work together to set and promote the KPI project.

(e) Environment:

e-1. Promote the energy conservation project, check overall energy consumed by equipment, diagnose energy consumption, and activate the energy conservation project.

e-2. Promote reuse of water resources, and construct process waste water recycling system to achieve the feature for reuse of water resource.

C. Overview of Production and Marketing:

In response to the drastic changes in the market demand, the Company keeps holding the production and marketing meetings for teamwork to adjust the production scale to the best scale of economy. We hope that the production and marketing may keep flexible and active in order to deal with the pressure derived from changes in the market.

(2) Sales Policy:

A. Strengthen the development in the markets of electric vehicles and automotive electronics, 5G and communications, industrial controls, and medical electronics, etc., and sale of niche-type and customized products to increase profit.

B. Aim at benchmarking customers in the advanced countries, such as European countries and the USA, to keep the development pace in line with the high-end markets; also, expand the emerging markets, such as India and South East Asia, etc., to increase the sales value and value at the same time for the balanced development.

C. Exercise the existing brand strengths, scale of economy and distribution network to practice the consolidated effects and expand the operating revenue.

D. Increase the promotional channels for digital marketing, and mitigate the interruption caused by COVID-19 to business activities.

1.3 Future development strategies:

i. Uphold the spirit of innovation and keep developing new products to satisfy the market demand.

ii. Upgrade the process technology and product automation, and control various costs effectively via data and information analysis and management.

iii. Develop the sale markets and rapid after-sale services, and provide complete protective component series to satisfy the customers' demand for "one-stop shopping".

1.4 Effects posed by external competitive environment, legal environment and macroeconomic environment:

As far as the external competitive environment is concerned, the industry in which the Company is engaged is expected to keep growing in response to the expanding market demand. For the competition with peer companies, the Company is expected to maintain its oligopolistic position but still struggle with the environment.

As far as the legal environment is concerned, the Company adjusts its internal rules and management regulations in a timely manner in response to the enactment of and amendments to various laws & regulations, and research and draft alternate policies. The Company is used to valuing the internal controls and corporate governance. Therefore, the enactment of/amendments to laws & regulations are expected to pose a minor impact to the Company.

As far as the macroeconomic environment is concerned, considering that the epidemic is becoming stable, the overall economy and liquidity are expected to develop positively. The Company keeps increasing its production capacity and adjusts product portfolio, and plan related capital expenditures to respond to the market demand.

Looking forward to the future, the Company will follow the management philosophy, “New Concept, New Management, New Technology and New Market”, keep focusing on the management of core business, and accelerate development of new technology, new products and new customers, in order to improve the Company's competitiveness, increase operating revenue and profit, and feed back to the permanent support from all of you. Thanks to the management team and whole employees for their dedication and efforts to pursue fruitful business growth to feed back to all of you in the past year. We also hope that each shareholder can keep his/her original intent and continue to support and encourage Thinking Electronic.

I wish you all good health and the best in all of your endeavors.

Chairman of Board: Sui, Tai-Chung

II. Company Profile

2.1 Date of Incorporation

July 16, 1979

2.2 Company History

July 1979	:	Thinking Enterprise Co., Ltd. was established in Zuoying District, Kaohsiung, to be engaged with the processing, manufacturing, and distribution of electronic and electrical wiring, with a capital size of NTD 3 million only.
May 1984	:	Collaborated with the well-known connector manufacturer in the US technically and the sales were expanded to turn the Company into a leader in electronic and electrical wiring assembly facility in Southern Taiwan.
January 1986	:	Organized capital increase in cash worth NTD 3 million only to bring the capital size to NTD 6 million only.
July 1988	:	The name was changed to Thinking Enterprise Corporation.
May 1989	:	The negative temperature coefficient thermistor production site was established in Sanmin District, Kaohsiung, and the capital size was expanded to NTD 26 million only.
June 1989	:	The name was changed to Thinking Electronic Industrial Co., Ltd.
November 1994	:	The capital size was increased to NTD 126 million only.
May 1996	:	The capital size was increased to NTD 189 million only.
July 1996	:	Approved by the FSC to be a public offering company.
January 1997	:	Reinvested in Heyi Electronic Enterprise Co., Ltd.
March 1997	:	Purchases for and remodeling of the Main Management Department were completed; the administration unit was relocated.
April 1997	:	Reinvested to establish Greenish Co., Ltd.
July 1997	:	Reinvested in Yenyo Technology Co., Ltd.
September 1997	:	Reinvested in Welljet Hong Kong Ltd. and promoted the ISO-14000 Environmental Management System.
January 1998	:	Indirectly reinvested in Mainland Thinking (Changzhou) Electronic Co., Ltd.

August 1998	:	Earnings transferred capital increase; the capital size after the increase reached NTD 438,480,000 only.
December 1998	:	Approved to be listed at TPEx.
March 1999	:	The stock began to be traded at TPEx.
June 1999	:	Earnings transferred capital increase; the capital size after the increase reached NTD 576,024,000 only.
August 2000	:	Earnings and employee bonus transferred capital increase worth NTD 67,602,400 only and capital increase in cash worth NTD 50,000,000 only; the capital size after the increase reached NTD 693,626,400 only.
September 2000	:	Switched from being TPEx-listed to be TWSE-listed.
September 2001	:	Earnings and employee bonus transferred capital increase worth NTD 63,453,110 only; the capital size after the increase came to NTD 757,079,510 only.
September 2002	:	Earnings and employee bonus transferred capital increase worth NTD 63,665,560 only; the capital size after the increase reached NTD 820,745,070 only.
August 2003	:	Earnings and employee bonus transferred capital increase worth NTD 54,944,700 only; the capital size after the increase came to NTD 875,689,770 only.
June 2004	:	Reinvested in Thinking International Co., Ltd.
July 2004	:	Indirectly reinvested in Thinking (Yichang) Electronic Co., Ltd.
November 2006	:	Organized conversion of convertible bonds to common stock shares worth NTD 430,560 only; the paid-in capital size after the conversion reached NTD 1,016,177,360 only.
January 2007	:	Reinvested in Saint East Co., Ltd. Organized conversion of convertible bonds to common stock shares worth NTD 37,298,080 only; the paid-in capital size after the conversion reached NTD 1,053,475,440 only.
April 2007	:	Reinvested in Thinking Holding (Cayman) Co., Ltd. Organized conversion of convertible bonds to common stock shares worth NTD 7,427,330 only; the paid-in capital size after the conversion reached NTD 1,060,902,770 only.

July 2007	:	Organized conversion of convertible bonds to common stock shares worth NTD 484,380 only; the paid-in capital after the conversion reached NTD 1,061,387,150 only.
October 2007	:	Earnings and employee bonus transferred capital increase worth NTD 108,690,930 only; the capital size after the increase reached NTD 1,170,078,080 only.
November 2007	:	Established a branch office of Thinking in Nanzi Export Processing Zone.
January 2008	:	Organized conversion of convertible bonds to common stock shares worth NTD 178,030 only; the paid-in capital size after the conversion reached NTD 1,170,256,110 only.
June 2008	:	Issued convertible corporate bonds worth NTD 300 million only.
September 2008	:	Established the Thinking Education Fund.
December 2008	:	Organized write-off of treasury stock shares worth NTD 31,580,000 only; the paid-in capital size after the reduction came to NTD 1,138,676,110 only.
February 2009	:	Organized dissolution and liquidation of the reinvested company Heyi Electronic Enterprise Co., Ltd.
September 2009	:	Reinvested in Thinking (HK) Enterprises Limited Reinvested in Jiang Xi Thinking Jingguang Technology Co., Ltd. (The name is now changed to Jiang Xi Thinking Electronic Co., Ltd.)
October 2009	:	Organized conversion of convertible bonds to common stock shares worth NTD 32,419,590 only; the paid-in capital size after the conversion reached NTD 1,171,095,700 only.
December 2009	:	Organized conversion of convertible bonds to common stock shares worth NTD 72,146,320 only; the paid-in capital size after the conversion reached NTD 1,275,661,610 only.
January 2011	:	Issued convertible corporate bonds worth NTD 200 million only.
February 2012	:	Organized write-off of treasury stock shares worth NTD 6,180,000 only; the paid-in capital size after the reduction came to NTD 1,269,481,610 only.
January 2013	:	The convertible corporate bonds reached their second anniversary following initial issuance and were sold back for the first time. The convertible corporate bonds included in this sell-back totaled NTD 157,100,000 only.

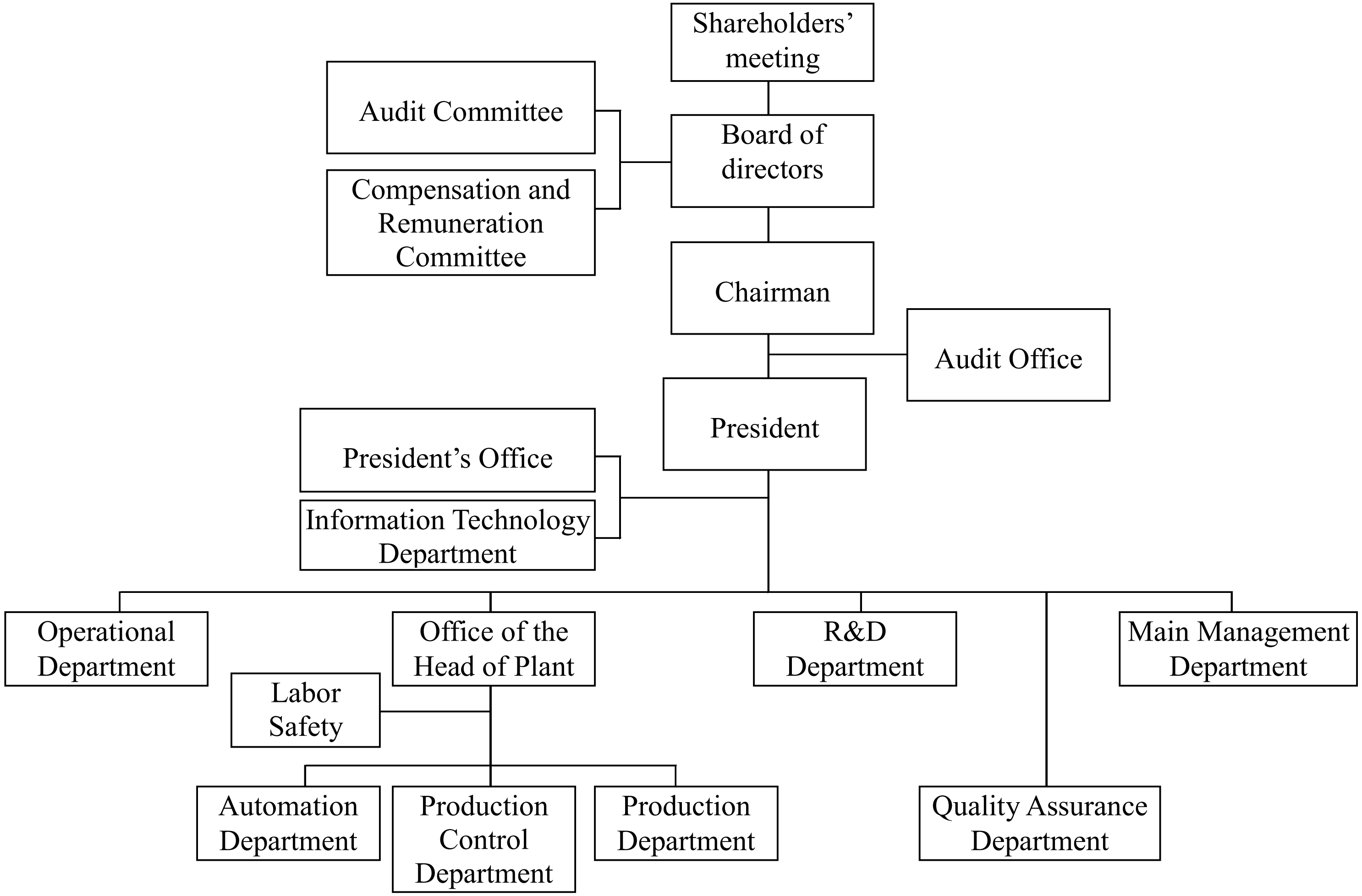
January 2014	:	The convertible corporate bonds reached their third anniversary following initial issuance and were sold back for the second time. The convertible corporate bonds included in this sell-back totaled NTD 700,000 only.
April 2014	:	Reinvested in View Full (Samoa) Ltd. and Guangdong Welkin Thinking Electronic Co., Ltd.
December 2014	:	Reinvested in Thinking Electronic (Samoa) Ltd. and Guangdong Thinking Electronic Co., Ltd.
November 2016	:	Reinvested in Dong Guan Welkin Electronic Co., Ltd. Through the subsidiary Thinking (Changzhou).
December 2016	:	The second plant in Nanzi Export Processing Zone was completed.
September 2017	:	Reinvested in Dong Guan Welkin Electronic Co., Ltd. through Thinking Electronic (Samoa) and acquired 25% of its shares.
December 2018	:	Organized dissolution and liquidation of the reinvested company Guangdong Thinking Electronics Co., Ltd.
September 2019	:	Organized dissolution and liquidation of the reinvested company Saint East Co., Ltd.
October 2019	:	Organized dissolution and liquidation of the reinvested company Welljet Hong Kong Ltd.
September 2020	:	Won the Kaohsiung Leading Model Enterprise Award 2020.
October 2020	:	Won the bronze medal in the enterprise/institution category for its human resources development quality management system.
December 2020	:	Won prizes for “working hours” and “advancement” in the Happy Enterprise Gold Contest organized by the Labor Affairs Bureau of Kaohsiung.
December 2020	:	Receives Certificate of Appreciation
December 2020	:	Indirectly reinvested in Welkin Electronic Co., Ltd.
April 2021	:	Receives Award in Excellence of Employee Relaitons.

III. Corporate Governance Report

3.1 Organizational

i. Organizational Chart

As of: December 31, 2020



ii. Major Corporate Functions

Department	Functions
President's Office	Manages and plans systems and promotes and supervises projects.
Audit Office	(1)Reviews and evaluates the internal control system to see if it is sound and effectively enforced and provides advice following analysis and evaluation. (2)Boosts the efficiency in realizing effective management control with reasonable cost and improving the operating procedures.
Information Technology Department	Is responsible for developing, programming, and maintaining IT systems and planning and maintaining hardware equipment and network frameworks.
Main Management Department	(1)Centrally plans and runs, raises, and utilizes funds and controls over financial affairs. (2)Centrally plans budget, provides statements needed for decision-making, accounting, cost calculation, and handles stock affairs, among others. (3)Plans and enforces human resources-related affairs and improves quality of manpower, takes care of applicable documentation control, general affairs, environmental protection, property management, and public relations, among others. (4)Centrally plans respective purchases, inquires about and negotiates prices, and urges delivery, among others.
Quality Assurance Department	(1)Promotes and enhances quality awareness and promotes and controls over quality assurance system. (2)Monitors quality of products and provides the production unit with intelligence about quality. (3)Establishes and maintains quality systems.
R&D Department	Develops new product lines, researches and develops automation projects, improves new material tests and process yield rate, among others.
Production Department	Takes charge of production volume, production line uptime, and plans production and distribution, among others.
Production Control Department	Manages related production schedules, coordinates, communicates about the progress, and warehousing and packaging, etc.
Automation Department	Is responsible for maintaining production equipment, controlling spare parts and parts, and improving equipment efficiency and automation, among others.
Operational Department	Takes charge of domestic and international operations, production, and distribution planning, market surveys, preparing marketing events and strategies, promotional advertisements, market exploration, customer credit investigation, accounts collectible, after-sales service, and applying for and planning product safety specifications, etc.
Labor Safety Office	Plans and supervises applicable labor safety and health management matters and promotes and controls the environmental safety system.

3.2 Information of Directors, President, Vice President, Associate Vice President, and Heads of Various Departments and Branches

i. Director Information

April 27, 2021

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	Boh Chin Investment Co., Ltd.	-	6/15/2020	3	4/12/1999	27,178,247	21.21%	27,178,247	21.21%	-	-	-	-					
Director	R.O.C.	Representative of Boh Chin: Sui, Tai-Chung (Chairman)	Male	-	-	-	-	-	4,080,862	3.19%	1,474,733	1.15%	-	-	Department of Physics, National Taiwan Ocean University	Note 1	Associate Vice President at the Main Management Department	Chen, Su-Ai	Spouse
Director	R.O.C.	Representative of Boh Chin: Ho, Yi-Sheng	Male	-	-	-	-	-	-	-	-	-	-	-	Department of Mechanical Engineering, National Pingtung University of Science and Technology Manager at the Electronic Business Department of Thinking	Note 2	None	None	None
Director	R.O.C.	Chen, Yen-Hui	Male	6/15/2020	3	4/12/1999	37,443	0.03%	37,443	0.03%	-	-	-	-	Department of Transportation and Communication Management Science, Feng Chia University	Note 3	None	None	None
Director	R.O.C.	Chang, Shan-Hui	Male	6/15/2020	3	4/12/1999	20,051	0.02%	20,051	0.02%	-	-	-	-	Department of Business Administration, National Chengchi University	Note 4	None	None	None
Independent Director	R.O.C.	Huang, Cheng-Nan	Male	6/15/2020	3	6/20/2017	-	-	-	-	-	-	-	-	Department of Law, National Chengchi University	Note 5	None	None	None
Independent Director	R.O.C.	Chen, Hsiu-Yen	Female	6/15/2020	3	6/20/2017	-	-	-	-	-	-	-	-	Department of Finance and Taxation, National Chengchi University	Note 6	None	None	None
Independent Director	R.O.C.	Chou, Chi-Wen	Male	6/15/2020	3	6/20/2017	-	-	-	-	-	-	-	-	Master of Financial Operation, National Kaohsiung University of Science and Technology	Note 7	None	None	None

Note 1: Chairman of Boh Chin Investment Co., Ltd., Director of Yih Chin Investment Co., Ltd., Chairman of Yenyo Technology Co., Ltd., Chairman of Welkin Electronic Industrial Co., Ltd., Chairman of Thinking (Changzhou) Electronic Co., Ltd., Chairman of Thinking (Yichang) Electronic Co., Ltd., Chairman of Jiang Xi Thinking Electronic Co., Ltd., Chairman of Dong Guan Welkin Electronic Co., Ltd., Chairman of Welkin Electronic Co., Ltd., Director of Thinking (HK) Enterprises Limited, Chairman of Thinking International Co., Ltd., Director of View Full (Samoa) Ltd., Director of Thinking Electronic (Samoa) Ltd., and Director of Greenish Co., Ltd.

Note 2: President of Thinking Electronic Industrial Co., Ltd., Director of Thinking (Changzhou) Electronic Co., Ltd., Director of Jiang Xi Thinking Electronic Co., Ltd., Director of Guangdong Welkin Thinking Electronic Co., Ltd. and Director of Yenyo Technology Co., Ltd.

Note 3: Person in charge of Yongxin Bookkeeper and Land Administrator Firm.

Note 4: Person in charge of EnWise CPAs & Co. and Supervisor of Panbiotic Laboratories Co., Ltd.

Note 5: Attorney at Dinghe Law Firm, Independent Director, member of the Compensation and Remuneration Committee, member of the Audit Committee, member of the Nomination Committee of SanFar Property Limited, member of the Compensation and Remuneration Committee and member of the Audit Committee of Thinking Electronic Industrial Co., Ltd.

Note 6: Executive/Financial Vice President of Chen Nan Iron Wire Co., Ltd. and member of the Audit Committee of Thinking Electronic Industrial Co., Ltd.

Note 7: Member of the Compensation and Remuneration Committee and member of the Audit Committee of Thinking Electronic Industrial Co., Ltd.

Major shareholders of institutional shareholders

April 27, 2021

Name of institutional shareholder	Major Shareholders
Boh Chin Investment Co., Ltd.	Sui, Tai-Chung (13.07%), Chen, Su-Ai (12.98%), Sui, Wan-Ni (31.38%), Sui, Chieh-Heng (42.47%).

Note: Major shareholders are those with a shareholding ratio of 10% and more or an equity ratio on the Top 10 list.

Major shareholders of the Company's major institutional shareholders: None.

Professional qualifications and independence analysis of directors

April 27, 2021

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Boh Chin Investment Co., Ltd. Representative: Sui, Tai-Chung			✓						✓		✓	✓	✓	✓		-
Boh Chin Investment Co., Ltd. Representative: Ho, Yi-Sheng			✓			✓	✓	✓	✓		✓	✓	✓	✓		-
Chen, Yen-Hui			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chang, Shan-Hui		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Huang, Cheng-Nan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Hsiu-Yen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chou, Chi-Wen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note: When any of the following conditions is met for each director during the two years prior to and during their tenure.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the managers listed under (1) or those listed under (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder directly holding at least 5% of the circulating shares of the Company or that ranks Top 5 in shareholding ratio or that assigns a representative to serve as director or supervisor of the Company according to Article 27 Paragraph 1 or 2 of the Company Act (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

(6) Not a director, supervisor, or employee of another company with the number of directors in the Company or shares entitled to votes accounting for a majority that is controlled by the same person (The same does not apply, however, to independent directors set up by the Company or its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

(7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or someone assigned with similar responsibilities is the same person or the spouse of that of the Company (The same does not apply, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

(8) Not a director, supervisor, or manager, or shareholder holding at least 5% of shares of a specific company or institution that is financially or commercially related to the Company (The same does not apply, if the said specific company or institution holds at least 20% yet less than 50% of the circulating shares of the Company and to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

(9) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise such as auditing that have brought about rewards accumulatively yet to exceed NTD 500 thousand, or the owner, partner, director (supervisor) manager, and his/her spouse of a sole proprietorship or collaborative company or institution. This, however, does not apply to the Compensation and Remuneration Committee, the Public Acquisition Review Committee, or the Special Mergers and Acquisitions Committee fulfilling its duties in accordance with the Securities Transaction Act or the Business Mergers and Acquisitions Act, among others.

(10) Not the spouse or a relative within the second degree of kinship to any other director of the Company.

(11) None of the conditions indicated under Article 30 of the Company Act.

(12) Not a government agency, corporation, or its representative set forth in Article 27 of the Company Act.

ii. Profile of President, Vice President, Associate Vice President, and Departmental and Branch Supervisors

April 27, 2021

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	Ho, Yi-Sheng	Male	10/20/1988	-	-	-	-	-	-	Department of Mechanical Engineering, National Pingtung University of Science and Technology Manager at the Electronic Business Department of Thinking	Note 1	None	None	None
Associate Vice President at the Main Management Department	R.O.C.	Chen, Su-Ai	Female	8/7/1981	1,474,733	1.15%	4,080,862	3.19%	-	-	Provincial Sinying Vocational High School of Home Economics Manager at the Electronic Finance Department of Thinking	Note 2	Manager at the branch office in Nanzi	Sui, Tai-Chung	Spouse
Manager at the branch office in Nanzi	R.O.C.	Sui, Tai-Chung	Male	4/26/2007	4,080,862	3.19%	1,474,733	1.15%	-	-	Department of Physics, National Taiwan Ocean University	Note 1	Associate Vice President at the Main Management Department	Chen, Su-Ai	Spouse
Technical Vice President at the R&D Department	R.O.C.	Hsiao, Fu-Chang	Male	11/1/2016	-	-	-	-	-	-	Ph.D. National Cheng Kung University	None	None	None	None
Head of Plant	R.O.C.	Chang, Mei-Hui	Female	2/10/2014	-	-	-	-	-	-	Providence University	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Associate Vice President at the Second Division of R&D Department	R.O.C.	Chiu, Chung-Chi	Male	2/10/2014	-	-	-	-	-	-	Master of Material Engineering, Tatung University	None	None	None	None
Associate Vice President at the Quality Assurance Department	R.O.C.	Shih, Shao-Liang	Male	2/10/2014	9,000	0.01%	-	-	-	-	Chung Cheng Institute of Technology Acting Chief at R Yue Guan Co., Ltd.	None	None	None	None
Associate Vice President at the Product Marketing Department	R.O.C.	Hou, Te-Hsin	Male	7/4/2014	-	-	-	-	-	-	Master's, National Taiwan University National Science Council - Research Assistant at National Taiwan University	None	None	None	None
Associate Vice President at the Domestic Market Division of the Operational Department	R.O.C.	Su, Shu-Li	Female	7/4/2014	-	-	-	-	-	-	National Kaohsiung University of Applied Sciences	None	None	None	None
Manager of Finance Department	R.O.C.	Hung, Yu-Fang	Female	3/23/2015	-	-	-	-	-	-	Tamkang University	None	None	None	None

Note 1: Refer to "i. Director Information" for details.

Note 2: Director of Boh Chin Investment Co., Ltd., Director of Yih Chin Investment Co., Ltd. Director of Welkin Electronic Industrial Co., Ltd. Director of Thinking (Changzhou) Electronics Co., Ltd., Director of Jiang Xi Thinking Electronic Co., Ltd. Director of Dong Guan Welkin Electronic Co., Ltd. Director of Welkin Electronic Co., Ltd. Director of Thinking (HK) Enterprises Limited Director of Thinking International Co., Ltd., Director of View Full (Samoa) Ltd. Director of Thinking Electronic (Samoa) Ltd. and Director of Thinking Holding (Cayman) Co., Ltd.

3.3 Remuneration Paid to Directors, President and Vice President for the Most Recent Fiscal Year

i. Remuneration Paid to Directors and Independent Directors

December 31, 2020 Unit: NTD thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Compensation (A)		Pension (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Director	Boh Chin Investment Co., Ltd.	-	-	-	-	23,400	23,400	-	-	1.69%	1.69%	25,717	25,717	44	44	10,476	-	10,476	-	4.31%	4.31%	None
	Representative of Boh Chin: Sui, Tai-Chung (Note)																					
	Representative of Boh Chin: Chen, Su-Ai (Note)																					
	Representative of Boh Chin: Ho, Yi-Sheng (Note)																					
	Chen, Yen-Hui																					
	Chang, Shan-Hui																					
Independent Director	Huang, Cheng-Nan																					
	Chen, Hsiu-Yen																					
	Chou, Chi-Wen																					

(1) The payment policy, system, criteria, and structure of remuneration for independent directors and the association between factors such as responsibilities assigned, risks, and time spent, among others, and the value of the rewards paid:

A. The remuneration to directors of the Company is paid not only taking into consideration the overall operational performance of the Company and the developmental trends in the future but also the advice provided and contributions of each director to the Company in their respective specialized field, such as commerce, legal affairs, and finance. The Company relies on and values the professional opinions from each director. As such, the attendance of each director in each organizational meeting and periodic continuing education in the specialized field on a yearly basis completed by the director are also considered while reasonable rewards are provided to directors. The compensation legitimacy assessment is adjusted adequately depending on the actual operational status of the Company and applicable regulatory requirements and is reviewed by the Compensation and Remuneration Committee and the Board of Directors.

B. It is specified in the Articles of Incorporation that the remuneration to directors may not be more than 2% of the annual profits.

(2) Besides those disclosed in the above table, remuneration paid to directors in the most recent year for having provided services to all companies covered in the financial statement: NTD 125 thousand

Note: During the re-election of directors on June 15, 2020, the directors elected to represent Boh Chin Investment Co., Ltd. Were Sui, Tai-Chung and Ho, Yi-Sheng. Chen, Su-Ai retired as the representative on June 15, 2020.

Remuneration bracket table

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Less than NT$ 1,000,000	Chen, Yen-Hui, Chang, Shan-Hui, Huang, Cheng-Nan, Chen, Hsiu-Yen, Chou, Chi-Wen	Chen, Yen-Hui, Chang, Shan-Hui, Huang, Cheng-Nan, Chen, Hsiu-Yen, Chou, Chi-Wen	Chen, Yen-Hui, Chang, Shan-Hui, Huang, Cheng-Nan, Chen, Hsiu-Yen, Chou, Chi-Wen	Chen, Yen-Hui, Chang, Shan-Hui, Huang, Cheng-Nan, Chen, Hsiu-Yen, Chou, Chi-Wen
NT$1,000,000 ~ NT$1,999,999			Chen, Su-Ai	Chen, Su-Ai
NT$2,000,000 ~ NT$3,499,999				
NT$3,500,000 ~ NT$4,999,999			Sui, Tai-Chung	Sui, Tai-Chung
NT$5,000,000 ~ NT$9,999,999				
NT$10,000,000 ~ NT$14,999,999				
NT$15,000,000 ~ NT$29,999,999	Boh Chin Investment Co., Ltd.	Boh Chin Investment Co., Ltd.	Boh Chin Investment Co., Ltd.	Boh Chin Investment Co., Ltd.
NT$30,000,000 ~ NT$49,999,999			Ho, Yi-Sheng	Ho, Yi-Sheng
NT$50,000,000 ~ NT$99,999,999				
Greater than or equal to NT$100,000,000				
Total	6	6	9	9

Note: The remuneration to directors approved by the Board of Directors prior to the shareholders' meeting as part of the Earnings Distribution Proposal for 2020.

ii. Remuneration Paid to President and Vice President

December 31, 2020 Unit: NTD thousands

Title	Name	Salary(A)		Pension (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Ho, Yi-Sheng	3,708	3,708	139	139	19,901	19,901	10,600	-	10,600	-	2.48%	2.48%	None
Vice President	Hsiao, Fu-Chang													

Remuneration bracket table

Range of Remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements (E)
Less than NT$ 1,000,000		
NT$1,000,000 ~ NT$1,999,999		
NT$2,000,000 ~ NT$3,499,999		
NT$3,500,000 ~ NT$4,999,999	Hsiao, Fu-Chang	Hsiao, Fu-Chang
NT$5,000,000 ~ NT$9,999,999		
NT$10,000,000 ~ NT$14,999,999		
NT$15,000,000 ~ NT$29,999,999		
NT$30,000,000 ~ NT$49,999,999	Ho, Yi-Sheng	Ho, Yi-Sheng
NT$50,000,000 ~ NT$99,999,999		
Greater than or equal to NT$100,000,000		
Total	2	2

Note: The employee bonus approved by the Board of Directors prior to the shareholders' meeting as part of the Earnings Distribution Proposal for 2020.

iii. Employees' Profit Sharing Bonus Paid to Management Team

December 31, 2020 Unit: NTD thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Profit (%)
Manager	President	Ho, Yi-Sheng	-	16,636	16,636	1.20%
	Associate Vice President at the Main Management Department	Chen, Su-Ai				
	Manager at the branch office in Nanzi	Sui, Tai-Chung				
	Technical Vice President at the R&D Department	Hsiao, Fu-Chang				
	Head of Plant	Chang, Mei-Hui				
	Associate Vice President at the Second Division of R&D Department	Chiu, Chung-Chi				
	Associate Vice President at the Quality Assurance Department	Shih, Shao-Liang				
	Associate Vice President at the Product Marketing Department	Hou, Te-Hsin				
	Associate Vice President at the Domestic Market Division of the Operational Department	Su, Shu-Li				
	Manager of Finance Department	Hung, Yu-Fang				

iv. Compare and describe separately the analysis of ratios of the total remuneration paid to directors, the president, the vice president of the Company in the past two years by the Company and all companies in the Consolidated Statement to the after-tax net profit shown in the Parent Company-only Financial Statement and describe correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future.

(1)Analysis of ratios of the total remuneration paid to directors, the president, and the vice president by the Company and all companies included in the Consolidated Statement to the after-tax net profit shown in the Parent Company-only Financial Statement in the past two years:

Title	2020		2019	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	1.69%	1.69%	1.60%	1.60%
President and Vice President	2.48%	2.48%	2.12%	2.12%

The difference in the ratios between the two terms is not much and no analysis has been prepared.

According to Article 16 of the Company's Articles of Incorporation, remuneration to the Company's directors for performance of job duties must be paid, irrelevant with profit or loss retained by the Company. The Board of Directors is authorized to determine the level of remuneration to directors based on their engagement in and contribution to the Company's operations, and in reference to peer companies' pay. If the Company has earnings, the remuneration is to be distributed also as required by Article 19 of the Articles of Incorporation. The remuneration to the Company's managers is decided according to the Company's Manager Compensation Criteria. For the time being, the remuneration paid to the President and Vice President consists of the salary, bonus, and employee bonus. The Board of Directors approves the remuneration according to the Company's Compensation Management Guidelines and pays it according to the extent of involvement and contributions of the President and Vice President over the past year to the operations of the Company and its subsidiaries, their position, seniority in office, education and experience, and possible contributions to the Company in the future, with reference to the industrial level.

3.4. Implementation of Corporate Governance

The Audit Committee and the Compensation and Remuneration Committee under the Board of Directors of Thinking Electronic are helping the Board of Directors fulfill its duties. The Organic Rules of each of the committees are approved by the Board of Directors and the chairman of each committee periodically reports to the Board of Directors regarding its activities and decisions.

i. Operations of the Board of Directors

(1)The composition of the board members of the Company takes into consideration professionalism and prioritizes the moral behavior and reputed leadership of each individual. The Company now has 7 directors, including 3 independent directors (43%) and one female director (gender ratio of 14%). Profile of each member is provided in the table below. The members specialize in operation, management, decision-making, and leadership - Mr. Sui, Tai-Chung, sales, industrial knowledge, crisis management, and international horizon - Mr. Ho, Yi-Sheng, accounting and taxation - Mr. Chang, Shan-Hui and Ms. Chen, Hsiu-Yen, law - Mr. Huang, Cheng-Nan, land administration - Mr. Chen, Yen-Hui, and finance - Mr. Chou, Chi-Wen. With them providing diversified opinions, it helps with the overall operational development of the Company.

(2)A total of 8 (A) meetings of the Board of Directors were held in the previous period. The attendances of directors were as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Boh Chin Investment Co., Ltd. Representative: Sui, Tai-Chung	4	-	100.00%	Newly elected on June 15, 2020
Chairman	Boh Chin Investment Co., Ltd. Representative: Chen, Su-Ai	4	-	100.00%	Dismissed on June 15, 2020
Director	Boh Chin Investment Co., Ltd. Representative: Ho, Yi-Sheng	8	-	100.00%	Re-elected on June 15, 2020
Director	Chen, Yen-Hui	8	-	100.00%	Re-elected on June 15, 2020
Director	Chang, Shan-Hui	6	2	75.00%	Re-elected on June 15, 2020
Independent Director	Chen, Hsiu-Yen	7	1	87.50%	Re-elected on June 15, 2020
Independent Director	Huang, Cheng-Nan	8	-	100.00%	Re-elected on June 15, 2020
Independent Director	Chou, Chi-Wen	8	-	100.00%	Re-elected on June 15, 2020

Note: The actual attendance rate (%) is calculated by the number of Board of Directors meetings held during the term in office and the attendance in person.

Other details to be documented:

I. For matters listed in Article 14-3 of the Securities Exchange Act and other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement, the date, session No., details of proposals, opinions of all independent directors, and how the Company addressed opinions of independent directors in the Board of Directors' meeting shall be stated: No such situation.

II. Recusal of directors upon conflicts of interest in proposals being discussed:

(I) January 13, 2020:

1. Deliberated the issuance of year-end bonus for managers for 2019. Director Chen, Su-Ai and Director Ho, Yi-Sheng excused themselves in light of conflict of interest according to the voting sequence and did not take part in the discussion or voting.
2. Deliberated the monthly salary structure, the amount paid, and the expected amount to be set aside for the pension for managers for 2020. Director Chen, Su-Ai and Director Ho, Yi-Sheng excused themselves in light of conflict of interest according to the voting sequence and did not take part in the discussion or voting.

(II) July 13, 2020:

1. Deliberated the hiring of Compensation and Remuneration Committee members. Director Huang, Cheng-Nan and Independent Director Chou, Chi-Wen excused themselves in light of conflict of interest according to the voting sequence and did not take part in the discussion or voting.

(III) August 10, 2020:

1. Deliberated distribution of remuneration to directors (including independent directors) for 2019. Director Sui, Tai-Chung, Director Ho, Yi-Sheng, Director Chen, Yen-Hui, Director Chang, Shan-Hui, Independent Director Chen, Hsiu-Yen, Independent Director Huang, Cheng-Nan, and Independent Director Chou, Chi-Wen excused themselves in light of conflict of interest according to the voting sequence and did not take part in the discussion or voting.
2. Deliberated the distribution of employee remuneration to managers for 2019. Director Sui, Tai-Chung and Director Ho, Yi-Sheng excused themselves in light of conflict of interest according to the voting sequence and did not take part in the discussion or voting.
3. Deliberated the proposal from the Compensation and Remuneration Committee. Director Sui, Tai-Chung excused himself in light of conflict of interest according to the voting sequence and did not take part in the discussion or voting.

(IV) November 9, 2020:

1. Deliberated the remuneration to members of the Compensation and Remuneration Committee for 2020. Director Huang, Cheng-Nan and Independent Director Chou, Chi-Wen excused themselves in light of conflict of interest according to the voting sequence and did not take part in the discussion or voting.

III. Information about the evaluation cycle and duration, and scope, approach, and content of the evaluation, among other information, of the reviews performed independently by the Board of Directors:

Evaluation cycle	Evaluated period	Scope of evaluation	Evaluation method	Evaluation Content
Once a year	1/1/2020-12/31/2020	Evaluation of the performance of Board of Directors and that of individual directors	Self-evaluation of the performance of Board of Directors and that of directors	(I) Measures for the self-performance evaluation of the Board of Directors cover the following dimensions: 1. Involvement in corporate operations 2. Improved decision-making quality of the Board of Directors 3. Composition and structure of the Board of Directors 4. Election of its directors and continuing education for them. 5. Internal control
				(II) Measures for the self-performance evaluation of the board directors cover the following dimensions: 1. Keeping track of corporate goals and missions. 2. Awareness of the duties of a director. 3. Involvement in corporate operations 4. Management of internal relations and communication 5. Director's professionalism and continuing education 6. Internal control

IV. Reinforced assessments of functional objectives of the Board of Directors and implementation status of the objectives of the specific year and the most recent year:

The Company has set up the Compensation and Remuneration Committee and the Audit Committee to effectively make the best off and consolidate the governance system, normalize its supervisory function, improve information transparency, and reinforce the management feature.

ii. Operations of the Audit Committee:

(1)The Company's Audit Committee consists of all independent directors and aims to help the Board of Directors fulfill its duties in supervising the quality and integrity of the Company in accounting, auditing, the financial reporting procedure, and financial control. The Committee is in charge of the following:

A. Preparation or revision of the internal control system as required by Article 14-1 of the Securities and Exchange Act.

B. Evaluation of the effectiveness of the internal control system.

C. Revision or amendment of the procedures for acquiring or disposing of assets, trading derivatives, lending funds to others, providing endorsements or guarantees to others, among other major financial operations as required by Article 36-1 of the Securities and Exchange Act.

D. Matters involving the interests of the Board directors.

E. Trading of major assets or derivatives.

F. Major lending of assets, endorsements, or guarantees.

G. Raising, issuance, or private placement of equity securities.

H. Delegation, dismissal of CPAs or their compensation.

I. Appointment or dismissal of the head of finance, accounting, or internal audit.

J. Annual Financial Statements signed or sealed by the Chairman, managers, and head of accounting and the Financial Statement for the second quarter that needs to be audited and certified by CPAs.

K. Other important matters as specified by the Company or the competent authority.

(2)Highlights of Tasks Performed by the Committee throughout the year:

A. Review of financial statements: The 2019 Business Report, Financial Statements, and Distribution of Earnings. The Financial Statements, in particular, were completely audited by Deloitte Taiwan. The above-mentioned Business Report, Financial Statements, and Proposal on Distribution of Earnings have been reviewed by the Audit Committee.

B. Evaluation of the effectiveness of the internal control system: The Audit Committee reviewed the internal audits of the Company and the periodic reports from the delegated CPAs and the management that cover internal control policies and measures regarding finance, operation, risk management, and compliance for their effectiveness. It is believed that the Company has established and enforced the effective control mechanism for supervision and correction.

C. Appointment and compensation of CPAs: The Committee reviewed the independence, suitability, and professionalism of CPAs according to applicable laws and regulations such as the Certified Public Accountant Act to make sure absence of other financial interests and business relationships between the CPAs and the Company except for the fees paid for certification and finance and taxation assignments.

(3)Operation of Audit Committee:

A total of 8 (A) Audit Committee meetings were held in the previous period. The attendances of the independent directors were as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Chen, Hsiu-Yen	8	-	100.00%	Re-elected on June 15, 2020
Independent Director	Huang, Cheng-Nan	8	-	100.00%	Re-elected on June 15, 2020
Independent Director	Chou, Chi-Wen	7	1	87.50%	Re-elected on June 15, 2020

Note: The actual attendance rate (%), on the other hand, is calculated by the number of Audit Committee meetings held during the term in office and the attendance in person.

Other details to be documented:

I. Matters listed under Article 14-5 of the Securities and Exchange Act and other resolutions with approval by two-thirds and more of all directors despite the failure to be approved by the Audit Committee and how the Company addressed opinions from the Audit Committee:

Audit Committee	Board of directors	Contents of the proposal and subsequent management	Items listed under §14-5 of the Securities and Exchange Act	Resolutions with approval by 2/3 and more of all directors despite the failure to be approved by the Audit Committee
First meeting of 2020 1/13/2020	First meeting of 2020 1/13/2020	1. Implementation of the Internal Audit Plan during September and November 2019 by the Audit Office.	✓	
		2. Revision of the Operating Procedure for Preparing Financial Statements.	✓	
Second meeting of 2020 3/23/2020	Second meeting of 2020 3/23/2020	1. Implementation of the Internal Audit Plan during December 2019 and January 2020 by the Audit Office.	✓	

Audit Committee	Board of directors	Contents of the proposal and subsequent management	Items listed under §14-5 of the Securities and Exchange Act	Resolutions with approval by 2/3 and more of all directors despite the failure to be approved by the Audit Committee
Second meeting of 2020 3/23/2020	Second meeting of 2020 3/23/2020	2. 2019 Internal Control System Declaration.	✓	
		3. 2019 Financial Statements.	✓	
		4. 2019 Business Report.	✓	
		5. 2019 Earnings Distribution Table.	✓	
		6. Revision of the Rules of Procedure for Board of Directors' Meetings.	✓	
		7. Revision of the Audit Committee Organic Rules.	✓	
		8. Revision of the Ethical Corporate Management Best-Practice Principles.	✓	
		9. Revision of the Operational Procedures and Behavioral Guide of Ethical Corporate Management.	✓	
		10. Revision of the Articles of Incorporation.	✓	
		11. Revision of the Internal Control System and Internal Audit Enforcement Rules.	✓	
		12. Independence and suitability assessment of CPAs and delegation and rewards of CPAs for 2020 financial statements and tax reporting.	✓	
		13. The Operating Procedure for Lending to Others.	✓	
Third meeting of 2020 3/27/2020	Third meeting of 2020 3/27/2020	1. Buyback of corporate shares by acquiring the treasury stock shares.	✓	
Fourth meeting of 2020 5/5/2020	Fourth meeting of 2020 5/5/2020	1. Implementation of the Internal Audit Plan during February and March 2020 by the Audit Office.	✓	
		2. Presentation on lending of funds for reinvestments and the implementation status.	✓	

Audit Committee	Board of directors	Contents of the proposal and subsequent management	Items listed under §14-5 of the Securities and Exchange Act	Resolutions with approval by 2/3 and more of all directors despite the failure to be approved by the Audit Committee
Fifth meeting of 2020 7/13/2020	Fifth meeting of 2020 7/13/2020	1. Implementation of the Internal Audit Plan during April and May 2020 by the Audit Office.	✓	
		2. Referral of the convener and Chairman the Audit Committee of the current intake.	✓	
		3. Revision of the Guidelines for Buying Back Shares and Assigning Them to Employees.	✓	
		4. Revision of the Operating Procedure for Buying Back Treasury Stock Shares.	✓	
		5. Revision of the Corporate Governance Best-Practice Principles.	✓	
		6. Revision of the Short-and-Long-Term Investment Management Guidelines.	✓	
Sixth meeting of 2020 8/10/2020	Sixth meeting of 2020 8/10/2020	1. Implementation of the Internal Audit Plan in June 2020 by the Audit Office.	✓	
		2. Revision of the internal control system and Internal Audit Enforcement Rules.	✓	
Seventh meeting of 2020 10/19/2020	Seventh meeting of 2020 10/19/2020	1. Shareholders' request for independent directors to exercise their power.	✓	
Eighth meeting of 2020 11/9/2020	Eighth meeting of 2020 11/9/2020	1. Implementation of the Internal Audit Plan during July and August 2020 by the Audit Office.	✓	
		2. Shareholders' request for independent directors to exercise their power update and endorsement.	✓	
		3. 2021 Audit Plan.	✓	

(I) Decisions made by the Audit Committee (1/13/2020, 3/23/2020, 3/27/2020, 5/5/2020, 7/13/2020, 8/10/2020, 10/19/2020, and 11/9/2020): Approved unanimously by the Audit Committee.

(II) How the Company addressed opinions from the Audit Committee (1/13/2020, 3/23/2020, 3/27/2020, 5/5/2020, 7/13/2020, 8/10/2020, 10/19/2020, and 11/9/2020): Approved unanimously by all attending Board directors.

II. Recusal of independent directors upon conflicts of interest in proposals being discussed: statement: No such situation.

III. Communication between independent directors and internal audit heads and CPAs:

(I) Communication policies between independent directors and internal audit heads and CPAs:

1. For communication between the independent directors of the Company and the head of internal audit and CPAs, they take place at least once a year through workshops, Audit Committee meetings, or any other meetings. Communication also takes place regularly through emails, over the phone, or by ordinary meetings directly.

2. Between independent directors and the head of internal audit, through periodic Audit Committee's meetings, the head of internal audit reports to the independent director implementation of internal audits and internal control operations of the Company and communicates to the members audit findings and their follow-up reports. In cases of significant abnormalities, meetings can be called at any time.

3. CPAs communicate with independent directors regularly prior to meetings and in accordance with the Statement of Audit Standards "Communication with the Auditee's Governance Unit" and the SFB Tai-Cai-Zheng Liu Zi No. 0930105373 letter. CPAs report on the financial standing of the Company, the finance of its subsidiaries overseas, the overall operating condition and the internal control and audit status with regard to the governance over the auditing or review and approval of the Company's Consolidated/Parent Company-only Financial Statements during the planning and completion stages and communicate on significant adjustment or separation or revisions to laws or regulations, if any, that affect line items.

(II) Summary of Communications between Independent Directors and Head of Internal Audit in 2020:

Implementation of audits by independent directors: The communications went well. Primary matters communicated are summarized as follows:

Date	Communication points
1/13/2020	1. Implementation of the Internal Audit Plan during September and November 2019.
3/23/2020	1. Implementation of the Internal Audit Plan during December 2019 and January 2020. 2. 2019 Internal Control System Declaration. 3. Revision of some provisions of the Internal Control System and Internal Audit Enforcement Rules.

Date	Communication points
5/5/2020	1. Implementation of the Internal Audit Plan during February and March 2020.
7/13/2020	1. Implementation of the Internal Audit Plan during April and May 2020.
8/10/2020	1. Implementation of the Internal Audit Plan in June 2020. 2. Revision of some provisions of the Internal Control System and Internal Audit Enforcement Rules.
11/9/2020	1. Implementation of the Internal Audit Plan during July and August 2020. 2. 2021 Audit Plan.

(III) Summary of Communications between Independent Directors and Certified Public Accountants in 2020:

Communication between independent directors and CPAs: The communications went well. Primary matters communicated are summarized as follows:

Date	Communication points
3/20/2020	1. The CPAs briefed on the 2019 Financial Statement and Consolidated Financial Statement audit findings and discussed audit findings. 2. The CPAs explained important operational results and financial ratios. 3. The CPAs clarified the latest update of laws and regulations governing futures and securities.
12/22/2020	1. The CPAs communicated preliminarily on key matters being audited with independent directors. 2. The CPAs communicated preliminarily on the expected audit items and the schedule with independent directors.

iii. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		The Company, in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, had its Corporate Governance Best-Practice Principles approved by the Board of Directors on April 16, 2018 and disclosed them in the Market Observation Post System and the Company’s website - Stakeholders.	No major difference
II. Shareholding structure & shareholders’ rights (I) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (II) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	 ✓ ✓ ✓		 (I) The Company has established the Procedure for Handling Material Internal Information and has the spokesperson, acting spokesperson, and shareholder affairs units to address advice from and concerns of, and disputes among shareholders; in cases of lawsuits, an attorney will be authorized to handle them. (II) The Company confirms on a monthly basis changes to the shares held and pledged by major shareholders of its Board directors in order to keep track of their shareholding status. (III) The Company has established the Operating Procedure for Transactions with Related Parties and Affiliates to control the risks associated with affiliates.	 No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(IV) The Company has established the Anti-insider Trading Management Regulations. At least once a year, current directors, managers, and employees are educated on the Anti-insider Trading Management Regulations and applicable laws and regulations. The Company's directors and managers are educated within 2 months following inauguration and newly hired employees are educated prior to the pre-service training by the Personnel Department. In 2020, the Company already arranged directors and managers of the current intake to attend related programs on the Money Laundering Control Act and insider equity trading, etc. and such information has been declared through the Market Observation Post System as required. Employees are educated according to the RBA policy goal and were tested randomly on May 11, 2020 to help know the communication and implementation results.	No major difference
III. Composition and Responsibilities of the Board of Directors (I) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(I)1. Diversification Policy Regarding Composition of Board of Directors: According to 5.1 of the Company's Corporate Governance Best-Practice Principles, members of the Board of Directors shall possess the required knowledge, skills, and attainment for them to perform their duties. Besides professionalism, moral behavior and leadership reputation are equally valued in order to fulfill the ideal goals in corporate governance.	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			2. Substantial Management Goals: In light of the operational framework, business development of the Company and to respond to future trends, the composition of the Company's Board of Directors takes into consideration the fundamentals (at least one seat for each gender and each age group), professionalism (administration and management, leadership and decision-making, industrial knowledge, or law and finance/accounting) so that the board directors can provide diversified opinions and help the Company with sustainable operation and development. 3. Implementation: The Company has 7 directors, including 3 independent directors (43%) and one female director (gender ratio of 14%). Profile of each member is provided in the table below. The members specialize in operation, management, decision-making, and leadership - Mr. Sui, Tai-Chung, sales, industrial knowledge, crisis management, and international horizon - Mr. Ho, Yi-Sheng, accounting and taxation - Mr. Chang, Shan-Hui and Ms. Chen, Hsiu-Yen, law - Mr. Huang, Cheng-Nan, land administration - Mr. Chen, Yen-Hui, and finance - Mr. Chou, Chi-Wen.	No major difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Director</th><th>Gender</th><th>Age</th><th>Nationality</th><th>Also an employee of the Company</th><th>Tenure of and years served as independent director</th></tr>
<tr><td>Sui, Tai-Chung</td><td>Male</td><td>70-79</td><td>R.O.C.</td><td>Manager at the branch office in Nanzi</td><td>-</td></tr>
<tr><td>Ho, Yi-Sheng</td><td>Male</td><td>60-69</td><td>R.O.C.</td><td>President</td><td>-</td></tr>
<tr><td>Chen, Yen-Hui</td><td>Male</td><td>60-69</td><td>R.O.C.</td><td>-</td><td>-</td></tr>
<tr><td>Chang, Shan-Hui</td><td>Male</td><td>60-69</td><td>R.O.C.</td><td>-</td><td>-</td></tr>
<tr><td>Huang, Cheng-Nan</td><td>Male</td><td>50-59</td><td>R.O.C.</td><td>-</td><td>Shorter than 6 years</td></tr>
<tr><td>Chou, Chi-Wen</td><td>Male</td><td>50-59</td><td>R.O.C.</td><td>-</td><td>Shorter than 6 years</td></tr>
<tr><td>Chen, Hsiu-Yen</td><td>Female</td><td>40-49</td><td>R.O.C.</td><td>-</td><td>Shorter than 6 years</td></tr>
</table>
</td><td></td></tr>
<tr><td>(II)Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>(II) Besides the Compensation and Remuneration Committee and the Audit Committee that are established as required by laws, the other corporate governance operations are taken care of respective departments according to their function. No other functional committees are set up. In the future, they will be set up as needed.</td><td>In the future, it will be handled as needed for the developments of the Company and as required by applicable laws and regulations.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(III) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		(III)On March 23, 2020, the Company approved its "Board of Directors Performance Evaluation Guidelines" through the Board of Directors and the annual performance evaluation was conducted in compliance with the evaluation procedure and evaluation criteria in 6.0 and 8.0. The Company conducted the evaluation in January 2021 and the report was submitted to the Board of Directors on March 22, 2021 for discussions and improvements and to serve as reference in the screening or nomination of directors. Meanwhile, findings from the performance evaluation were adopted as reference while their individual compensation and rewards were being decided.	No major difference
(IV) Does the company regularly evaluate the independence of CPAs?	✓		(IV)The Board of Directors, based on the requirements about independence in applicable laws and regulations such as the Certified Public Accountant Act, evaluates the independence, suitability, and professionalism of CPAs each year and obtains the Independence Declaration issued by each CPA (for not violating 10 of the Code of Ethics for Professional Accountants) to confirm that besides the fees paid for certification and finance and taxation assignments, the CPAs do not have other financial interests and business relationships with the Company so that the Board of Directors can discuss their independence. The CPA independence evaluation has been done this year and it was submitted to the Board of Directors on March 22, 2021 to be finalized.	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
IV. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		On January 14, 2019, the Board of Directors approved that the financial manager would serve also as the head of corporate governance and related staff within the department would help with corporate governance-related affairs. The responsibilities primarily include maintaining investor relations, providing directors with needed data for them to perform duties and arranging continuing education for them, organizing meetings of the Board of Directors, respective functional committees, and shareholders' meetings, among others. Highlights of the implementation and continuing education completed by governance staff this year are as follows: (I) Help independent directors and general directors perform their function and arrange continuing education for them: 1. Periodically notify members of the Board of Directors of the latest revisions made to laws and regulations relevant to the scope of operation of the Company and corporate governance and keep the communications and exchanges between directors and respective heads smooth and clear. 2. Help arrange related meetings when it is necessary for the independent directors to separately meet with the head of internal audit or the CPAs in compliance with the Corporate Governance Best-Practice Principles. 3. Help independent directors and general directors prepare the annual continuing education program and arrange courses reflective of the characteristics of the industry that the Company is in and the education and experience of the directors.	No major difference.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(II) Help prepare Board of Directors' meetings and shareholders' meetings: 1. Confirm that the shareholders' meeting and Board of Directors' meeting are called for in compliance with the requirements of applicable laws and the Corporate Governance Best-Practice Principles. 2. Enclose the resolutions made and release news after the meetings to ensure the legitimacy and accuracy of important information and to protect equal access of investors to trading information. 3. Help and remind directors of the laws and regulations that they should follow while performing duties or making official resolutions of the Board of Directors. (III) Continuing education completed by corporate governance staff this year is as follows:	

Provider	Course title	Duration	Hours involved
Accounting Research and Development Foundation	Highlights of Revisions Made to Applicable Regulations for the Preparation of IFRS Financial Statements and Common Deficiencies	7/14/2020-7/14/2020	3.0
Accounting Research and Development Foundation	Case Study of How to Trace Whereabouts of Funds in Financial Statement Frauds and Applicable Legal Liabilities	7/17/2020-7/17/2020	3.0
Accounting Research and Development Foundation	Improving Ability to Independently Prepare Financial Statements: Internal Control, Internal Audit, and Information Technology	7/28/2020-7/28/2020	3.0
Accounting Research and Development Foundation	Insights about Common Corporate Governance Deficiencies of Enterprises and Applicable Laws and Regulations	8/20/2020 8/20/2020	3.0

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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?</td><td>✓</td><td></td><td>On the basis of fulfilling its corporate social responsibility and in respect of the interests of stakeholders, the Company communicates with stakeholders in a variety of ways, knows the issues that concern them and their needs, and adequately addresses and releases important CSR issues that concern them in order to enrich the information disclosed. For the issues about communications of the Company with stakeholders and the channels of communications, the details are provided in the table below:
<table>
<tr><th>Stakeholder</th><th>Communication method or channel</th><th>Issue involved</th><th>Response method</th></tr>
<tr><td>Employees</td><td>1. Employee Welfare Committee Member
2.Labor-Management Meeting
3. Employee feedback mailbox on the Intranet
4. Announcement on the Intranet</td><td>1. Compensation and benefits
2. Employee health and workplace safety
3. Employee continuing education and training
4. Labor rights</td><td>1. Periodic meetings of the Compensation and Remuneration Committee
2. Announcement of annual educational training schedule
3. Periodic labor-management meetings and announcement of meeting minutes
4. Annual employee satisfaction survey</td></tr>
<tr><td>Customers</td><td>1. Customer satisfaction survey
2. Customer visit and audit
3. Company website</td><td rowspan="2">1. Product quality and certification
2. Delivery, quotation, and after-sales service of products
3. Management of hazardous substances banned under the RoHS</td><td rowspan="2">1. Cooperation in customer audit and response to questionnaires
2. Response to supplier satisfaction survey
3. Management of related systems according to international regulations</td></tr>
<tr><td>Suppliers</td><td>1. Supplier site audit and questionnaire
2. Supplier meeting
3. Company website</td></tr>
</table></td><td>No major difference</td></tr>
</table>

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<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Stakeholder</th><th>Communication method or channel</th><th>Issue involved</th><th>Response method</th></tr>
<tr><td>Investors</td><td>1. Annual Report and Company website
2. Release of important news
3. Visits by institutional shareholders
4. Shareholders’ meeting and investor conference</td><td>1. Corporate governance and operational status
2. Management performance
3. Future development strategy</td><td>1. Calling for the general shareholders’ meeting and distribution of the Annual Report
2. (Acting) Spokesperson available to speak to the public
3. Cooperation for visits by institutional shareholders
4. Press release</td></tr>
<tr><td>Other</td><td>1. Annual Report and Company website
2. Foundation</td><td>1. Environmental protection and sustainable development
2. Donations to minority groups and educational institutions
3. Charity sale jointly organized by the plant and the respective department and the collaborative unit</td><td>1. Compliance with laws and regulations and international standards
2. Acquisition of related certifications
3. Acceptance and periodic announcement of donations
4. Communication on volunteering campaigns and involvement</td></tr>
<tr><td colspan="4">The Company has a section devoted to stakeholders on its website (http://www.thinking.com.tw) to facilitate communications with stakeholders.</td></tr>
</table>
</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company authorizes the Registrar of President Securities Corporation to be its professional shareholder service agency.	No major difference
VII. Information Disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (II)Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓ ✓ ✓		(I) Related information on the finance, operations, and corporate governance of the Company is disclosed at all times on the Company's website http://www.thinking.com.tw). (II)Disclosure of information by the Company to the public: 1. Market Observation Post System There is someone at the Finance Department to take charge of disclosing information and announcing declaration matters through the Market Observation Post System. 2. There is an exclusive section on the Company website for investors. Staff at the Finance Department works with one another in this regard. Some of the corporate governance operations and financial information are already available on the English website for the general public's reference. 3. The spokesperson and acting spokesperson system is in place and a contact window is available on the website. (III) The Company's financial statements, once approved by the Board of Directors are announced and declared by the given deadline. For related information, refer to the Market Observation Post System. For the operational status of each month, on the other hand, it is announced and declared before the tenth day of the coming month as required and important news is released through the Market Observation Post System and the Company website.	No major difference

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>VIII. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</td><td>✓</td><td></td><td>(I) Risk management policy and risk measurement criteria: Refer to the descriptions provided in “Risk Matters Discussion and Analysis” of this Annual Report.
(II) Employee rights and employee wellness: Refer to the descriptions provided in “Labor-Management Relations” and “Fulfillment of Social Responsibilities” of this Annual Report.
(III) For the policy to protect customers, contracts are signed with customers and the needs of customers are understood through satisfaction survey and related services and assurance are provided accordingly. For supplier relations, in order to ensure long-term steady supply and to meet the demand of customers for product quality and their environmental protection requirements, supplier evaluations are performed periodically. Suppliers are asked to provide product quality materials in order to keep track of the supply status at all times.
(IV) The Company’s important information is exclusively based on applicable requirements of the TWSE Procedures for Verification and Disclosure of Material Information of TWSE-listed Companies in order to protect the rights of shareholders, stakeholders, and investors.</td><td>No major difference</td></tr>
<tr><td colspan="5">IX. Explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.
(I) Reinforced scope for “fulfillment of corporate social responsibilities” in the corporate governance evaluation
The Company’s social responsibility system and non-financial information are explained through the optimized company website, Annual Report, or other external online platforms, including business ethics, environmental and social issues, human rights, and other policies promised as part of public policies and their implementation efficacy. They will be the indicators for fulfillment of corporate social responsibilities and the implementation efficacy is discussed at all times for constant improvements to make sure that the CSR policy is precisely enforced.</td></tr>
</table>

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td colspan="5">(II) Improved English information disclosure ratio
In order to improve the quality of information disclosure and transparency of corporate information so that foreign investors or institutions may have access to information about the Company and the relations between the Company and its investors may be reinforced. The Company plans corporate governance evaluation items and compiles English information in stages. English meeting notification has been available since 2019 and the English financial statements were prepared in 2020. In the future, efforts will be made to release important news and information about shareholders’ meetings (such as the meeting handbook, supplementary materials for the meeting, and the Annual Report)</td></tr>
</table>

iv. Composition, Responsibilities and Operations of the Remuneration Committee

(1) Membership of Compensation and Remuneration Committee:

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Other	Tseng, Su-Hui			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	Chou, Chi-Wen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	Huang, Cheng-Nan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note : When any of the following conditions is met for each member during the two years prior to and during their tenure.

A. Not an employee of the Company or any of its affiliates.

B. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

C. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

D. Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the managers listed under (1) or those listed under (2) and (3).

E. Not a director, supervisor, or employee of an institutional shareholder directly holding at least 5% of the circulating shares of the Company or that ranks Top 5 in shareholding ratio or that assigns a representative to serve as director or supervisor of the Company according to Article 27 Paragraph 1 or 2 of the Company Act (The same does not apply, however, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

F. Not a director, supervisor, or employee of another company with the number of directors in the Company or shares entitled to votes accounting for a majority that is controlled by the same person (The same does not apply, however, to independent directors set up by the Company or its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

G. Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or someone assigned with similar responsibilities is the same person or the spouse of that of the Company (The same does not apply, to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

H. Not a director, supervisor, or manager, or shareholder holding at least 5% of shares of a specific company or institution that is financially or commercially related to the Company (The same does not apply, if the said specific company or institution holds at least 20% yet less than 50% of the circulating shares of the Company and to independent directors set up by the Company and its parent company or subsidiary or a subsidiary that shares the same parent company according to the Act or the local laws and regulations.)

I. Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise such as auditing that have brought about rewards accumulatively yet to exceed NTD 500 thousand, or the owner, partner, director (supervisor), manager, and his/her spouse of a sole proprietorship or collaborative company or institution. This, however, does not apply to the Compensation and Remuneration Committee, the Public Acquisition Review Committee, or the Special Mergers and Acquisitions Committee fulfilling its duties in accordance with the Securities Transaction Act or the Business Mergers and Acquisitions Act, among others.

J. None of the conditions indicated under Article 30 of the Company Act.

(2) Compensation and Remuneration Committee Responsibilities:

The Committee shall pay due attention as good-will manager and truthfully fulfills its function as follows. It is to be reported to the Board of Directors and submit its suggestions for discussions in the Board of Directors' meeting:

A. Periodically discuss the Organic Rules of the Committee and provide advice on their revisions if necessary.

B. Establish and periodically reflect on the policy, system, criteria, and structure of performance evaluations and the compensation and rewards of directors and managers.

C. Periodically evaluate and define the compensation and rewards for directors and managers.

While performing the functions mentioned in the preceding article, the following principles shall be followed:

A. Director and managerial performance evaluation and compensation and remuneration shall take reference of the general criteria for the payment in the industry and take into consideration the legitimate correlation with personal performance, operational performance of the Company, and risks in the future.

B. Directors and managers shall not be misled to engage in behavior that exceeds the risk appetite of the Company for the pursuit of their compensation and remuneration.

C. The ratio of the bonus issued to directors and senior managers for their short-term performance and the payment schedule of some of the variable compensation and remuneration shall take into consideration the characteristics of the industry and the nature of operation of the Company before a decision is made.

(3) Information on the Operational Status of the Compensation and Remuneration Committee:

A. Company's Compensation and Remuneration Committee has 3 members in total.

B. Term in office of members of the current intake: 7/13/2020-6/14/2023
Qualifications of members and their attendance in the 3 meetings of the Compensation and Remuneration Committee in 2020 are as follows:

Title	Name	Attendance in person (B)	By Proxy	Expected attendance (A)	Attendance Rate (%) (B/A)	Remarks
Chairperson	Huang, Cheng-Nan	3	-	3	100.00%	Re-elected on July 13, 2020
Member	Tseng, Su-Hui	3	-	3	100.00%	Re-elected on July 13, 2020
Member	Chou, Chi-Wen	3	-	3	100.00%	Re-elected on July 13, 2020

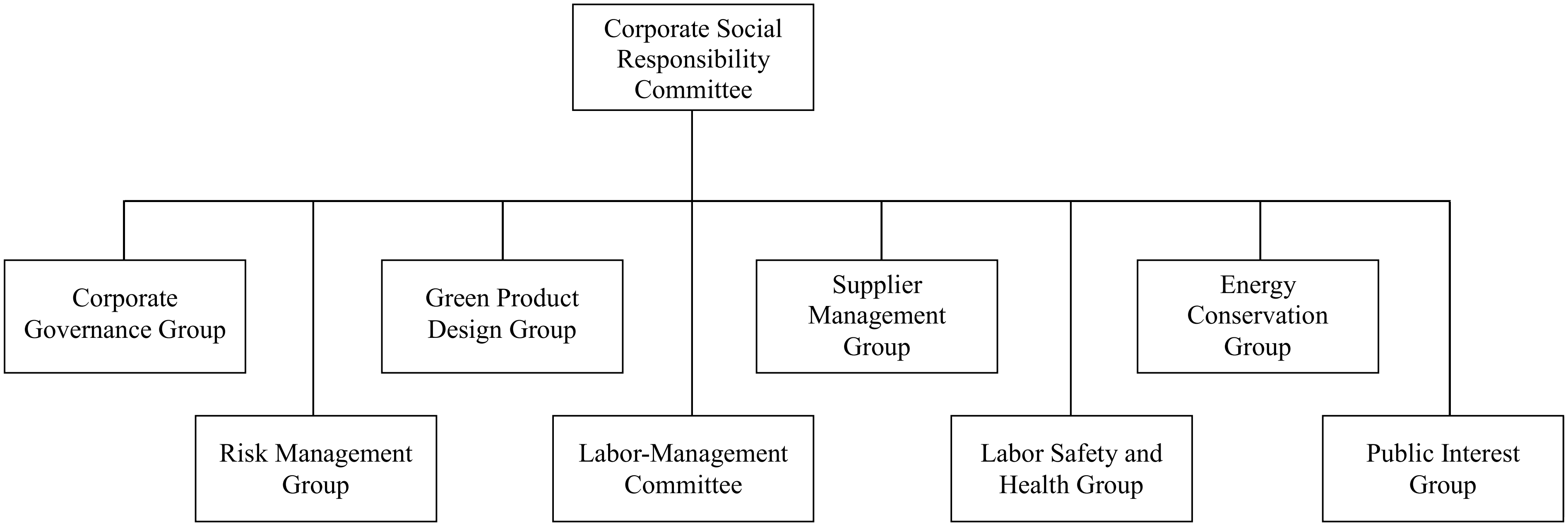
Note: The actual attendance rate (%) is calculated by the number of Compensation and Remuneration Committee meetings held during the term in office and the attendance in person.

(4) Matters being discussed by the Compensation and Remuneration Committee and the decisions made and how the Company addressed opinions from the members are provided below:

Compensation and Remuneration Committee	Contents of the proposal	Decisions made	How the Company addressed opinions from the Compensation and Remuneration Committee
Eighth meeting of the third intake 1/13/2020	1. Discussion of regulations relevant to the compensation and rewards policy, system, criteria, and structure of 2020. 2. The amount of the year-end-bonus for managers for 2019. 3. 2020 Compensation and Rewards Proposal for managers.	It was approved as is all attending members.	It was submitted to the Board of Directors and was approved by all attending directors.
Ninth meeting of the third intake 3/23/2020	1. 2019 remuneration to directors and that to employees. 2. Revision of the Compensation and Remuneration Committee Organic Rules. 3. Addition of the Regulations for the Establishment and Exercise of Function of the Compensation and Remuneration Committee.	It was approved as is all attending members.	It was submitted to the Board of Directors and was approved by all attending directors.
First meeting of the fourth intake 8/10/2020	1. Referral and election of the convener of the Compensation and Remuneration Committee of the fourth intake. 2. Distribution of the remuneration to directors for 2019. 3. Monthly salary structure, amount paid, and expected pension appropriation following the transfer of high-ranking officials. 4. Distribution of employee remuneration to managers for 2019.	It was approved as is all attending members.	It was submitted to the Board of Directors and was approved by all attending directors.
Other details to be documented: I. The Board of Directors does not adopt or modifies the advice provided by the Compensation and Remuneration Committee: None. II. For decisions made by the Compensation and Remuneration Committee, there are members who object to or have their reservations that are recorded or stated in writing: None.			

Corporate Social Responsibility Organizational Structure

The Company's Corporate Social Responsibility Committee is chaired by the President and underneath are eight groups, namely, the Corporate Governance Group primarily formed by the financial unit, the Green Product Design Group primarily formed by the R&D and design unit, the Supplier Management Group primarily formed by the procurement and supply chain management center, the Labor-Management Committee primarily formed by the human resources unit, the Risk Management Group primarily formed by the quality assurance unit, the Energy Conservation Group primarily formed by the factory affairs unit, the Labor Safety and Health Group primarily formed by the environmental safety unit, and the Public Interest Promotion Group formed by employees. Each of the groups mentioned above includes issues raised by respective stakeholders in their routine or annual plan and promote related activities relevant to corporate social responsibilities.



Responsibilities of the Corporate Social Responsibility Committee:

Corporate Governance Group	The Company's head of corporate governance is responsible for promoting corporate governance in order to escalate the concerns to a higher level of management and to integrate related resources internally for ensuring that respective requirements for the corporate governance evaluation can be precisely enforced while at the same time ensuring that all operations meet regulatory requirements.
Risk Management Group	Operational risks increase with the rapidly changing environment. Therefore, how to deal with systematic risks that are beyond control and to prevent non-systematic risks that may be avoided is a daunting task. In light of this, the Group consists of the head of finance and his/her staff to take charge of analyzing related risks to avoid financial risks as much as possible. As for the quality management system, the head of the Quality Assurance Center is in charge of preventing against respective emergency situations and responding quickly.
Green Product Design Group	Green products free of environmental protection concerns is a universal value. The Group is under the charge of the head of research and development, who also leads the R&D team in ensuring that all the materials used in products under development meet respective environmental protection regulations.
Labor-Management Committee	The Labor-Management Committee, on the other hand, is headed by the Management Department so that it serves as the direct bridge between the employer and the employees. The Management Department also serves as the employer's representative during the labor-management meeting that is held periodically with the representative(s) of the employees to ensure fulfillment of necessary decision-making duties.
Supplier Management Group	The Company is part of the electronic industrial chain and hence needs to follow applicable RBA regulations. This Group is therefore under the charge of the head of the supply chain management center. It educates collaborative downstream contractors and performs necessary audits in order to ensure that both upstream and downstream contractors comply with applicable RBA regulations as well. In addition, for the other standards or regulatory requirements that shall be followed by the industry, such as AEO, OHSAS, FCPA, etc., the Group shall communicate them to contractors, too.
Labor Safety and Health Group	The Chairman of occupational safety and health joins hands with factory affairs, general affairs, medical affairs, and human resources, among other units and related resources at the same time and serves as a representative of the employer that holds the labor safety meeting periodically with representatives of the employees in order to take care of the overall environmental safety and health-related affairs throughout the Company.
Energy Conservation Group	Creating an energy-saving low-carbon society is one of the missions of the industry nowadays, too. How to conserve energy and reduce carbon emissions and meet the requirements of the domestic Greenhouse Gas Reduction and Management Act has hence become a priority for domestic industries. Therefore, the Group is led by the head of the plant, who is responsible for respective energy conservation efforts throughout the Company in order to ensure compliance with regulatory requirements and to jointly work for a low-carbon environment.
Public Interest Group	What the Public Interest Group does is part of external corporate social responsibilities. The head of the management center is in charge and, with assistance from the head of each of the other centers, utilizes resources given by the Company and makes the best use of them to hopefully improve the corporate image and to take care of units or individuals in need of help.

v. Fulfillment of Social Responsibilities and Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons:

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
I. Does the Company perform risk assessments when dealing with environmental, social, and corporate governance-related issues that concern the Company's operations according to the materiality principle and define related risk management policies or strategies?	✓		(I) The Company has established its Corporate Social Responsibility Best-Practice Principles and disclosed them on the company website. It is specified that the corporate social responsibility policy is meant to enforce and consolidate corporate governance, develop a sustainable environment, take part in promoting public interests, and reinforce the disclosure of corporate social responsibility-related information. In addition, the Company received the RBA Code of Conduct medal in 2019 and called for the management review meeting on January 20, 2021 to discuss the implementation of achievements in 2020. (II) The Company has established the "Procedure for Identifying Environmental Considerations" and the "Regulations Governing the Identification and Evaluation of Labor and Ethical Risks" to help identify risks in the environment, associated with health and safety and labor practice relevant to its operation and to confirm the level of each risk and implement an appropriate procedure and substantial control for ensuring compliance and control over identified risks.	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
II. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Company has the Corporate Social Responsibility Committee to take charge of also promoting and integrating contents concerning respective issues such as corporate governance, environmental protection, green products, energy management, employee wellness, and public interests and reporting them to the Board of Directors once a year. The Company already reported the 2020 implementation status to the Board of Directors on March 22, 2021.	No major difference
III. Environmental Issues (I) Does the company establish proper environmental management systems based on the characteristics of their industries? (II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓ ✓		(I) The Company has established a complete environmental management system reflective of the characteristics of the netcom industry and the operational demand of the Company and has been ISO 14001 (latest effective period: 2/4/2019~2/4/2022) and IECQ QC080000 (latest effective period: 2/25/2021~2/24/2024) certified. (II) The Company is devoted to eradicating inefficiency and waste of resources in production and manufacturing and improving reutilization of resources. Developing green energy products is a comprehensive movement. From technical R&D, design, manufacturing, and transport to recycling and reutilization, environmental protection regulations and requirements are strictly followed for each of the said stages. In addition, the Company bans	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			the use of hazardous substances in its products. Product development meets the EU RoHS, REACH, and WEEE regulations, the EuP Directive, and the halogen-free requirement, among other international laws and regulations. Business waste that is generated is strictly managed and processed and cleared periodically to reduce environmental impacts to a minimum.	
(III) Does the company evaluate the potential risk and oppertunities of climate change on its operations and take actions?	✓		(III) The Company has evaluated the potential risks and opportunities now and in the future brought about by climate change for enterprises. For related information, refer to (VII) Current Response to Climate-related Risks and Opportunities under VII. Other Important Information to Help Understand Utilization of Corporate Social Responsibilities.	No major difference
(IV) Does the company conduct inspections about greenhouse gas, water consumption, and total weight of waste for last two years, as well as establish company strategies for energy conservation, carbon reduction, management of water consumption, and total weight of waste?	✓		(IV)	

Item	2020	2019
Greenhouse gas emissions	5,542.39 CO_2e	6,223.32 CO_2e
Water consumption	46,329 kWh	40,311 kWh
Electricity consumption	11,792,200 kWh	10,490,357 kWh
Total weight of waste	20,800 tons	18,683 tons

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Note: The Company follows ISO 14064-1 and enforces the greenhouse gas emissions baseline for an inventory check of greenhouse gas emissions and plans an inventory check of greenhouse gas emissions of the preceding year in September of each year. The Company, in compliance with the Ministry of Economic Affairs' "Requirements for Energy Users to Set Energy Conservation Goals and Implementation Plans," promotes the energy conservation project to fulfill the goal of at least 1% energy or electricity saved on average each year. The Company has added the variable frequency drive to equipment, modified air pressure pipes, and replaced the hydraulic press, packaged air conditioners, and illumination equipment to contribute to a mean energy/electricity conservation rate of 1.98% in 2020, that is, 51,274 kWh was saved. Besides purchasing related pollution prevention equipment to reduce environmental impacts brought about operations in the factory, the Company continues to educate its people on turning off light when not in use and categorizing, recycling, and reducing trash for the purpose of conserving energy and reducing carbon emissions.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			In order to improve effective utilization of resources, the Company continues to adopt waste reduction management measures and will continue to reduce hazardous business waste and improve reutilization of waste that can be recycled. The reutilization rate was up to 90% in 2020 and it is expected that the reutilization rate from recycling ethanol will grow by at least 1% in 2021. The Company recycles purified water discharged through the RO system to the air-conditioning cooling water tower to be used further and collect RO water discharged from the manufacturing process, reprocesses it, and reuses it. Water consumption dropped by 20,165 tons in 2019 and waste water discharge was reduced to 45%. In 2020, the savings were 23,934 tons and 46.1%, respectively.	
IV. Social Issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company received the RBA Code of Conduct medal in 2019 and followed applicable labor laws and regulations and the RBA and international human rights convention. The Company has established related management policies and procedures, including the Corporate Social Responsibility Best-Practice Principles, the RBA Code of Conduct Handbook, the Regulations to Prevent and Control Sexual Harassment Prevention and to Ensure Gender Equity at Work, the Anti-Discrimination Regulations, the Child Labor and Underage Workers Regulations," and the “Freedom of Association and Collective Bargaining Regulations” and enforces RBA practices and periodically holds the labor-management meeting on a quarterly basis.	No major difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(II) The Company has established the Work Rules and related personnel management regulations that cover the basic wage, working hours, leave, pension, Labor Insurance and National Health Insurance coverage, occupational hazard compensation, etc. All meet the applicable requirements of the Labor Standards Act. The Employee Welfare Committee is in place. It is operated by the Welfare Committee elected by employees and takes care of respective benefits. The Company’s remuneration policy is based on personal capabilities, contribution to the Company, and performance; it is positively correlated with the operational performance.	No major difference
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III) Work Environment: 1. It is specified that employees shall take related required protective measures for the environment where they are working in order to protect their personal safety. 2. It is ISO 45001-certified and two fire prevention educational drills are organized each year to familiarize employees with fire prevention equipment and to improve their responsiveness for ensuring their personal safety. 3. Employee health check-ups are conducted periodically each year to help employees properly manage their own health. Safety and health educational training are implemented periodically.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			4. Air-conditioning equipment is cleaned periodically each year and trash is categorized to ensure a quality work environment. 5. Contract healthcare professionals are based on site to enforce employee health management.	
(IV) Does the company provide its employees with career development and training sessions?	✓		(IV) Each department in the Company submits its annual training plan according to the training operating procedure that focuses on occupational gaps and future development plans.	No major difference
(V) Does the company comply with relevant regulations and international standards about customers' health, safty, privacy, advertise and label of goods and services and establish consumer protection policy?	✓		(V) The Company markets and labels its products and services in compliance with applicable laws and regulations and international standards and will provide the Self-Declaration Letter as requested by customers for sold products indicating compliance with UL/cUL,VDE,TUV,CQC…., among other electronic part safety certifications in respective countries and the EU REACH, RoSH, and WEEE regulations, the EuP Directive, and the halogen-free requirement, among other international laws and regulations. Customers' privacy is protected in honor of the Confidentiality Agreement and the Personal Data Protection Act and there is an exclusive section for stakeholders and complaint-filing access is provided.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>(VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.</td><td>✓</td><td></td><td>(VI) Supplier Relations:
The Company performs supplier evaluations periodically and requires that suppliers sign the Social Responsibility Survey and the Supplier Social Responsibility (SA8000)/RBA/Integrity Commitment to facilitate joint efforts to promote corporate social responsibilities. In the event that major suppliers of the Company violate its corporate social responsibility policy and it significantly impacts the environment and the society, contracts may be terminated or dismissed at any time. Related persons in charge were inquired about this and None in 2020.</td><td>No major difference</td></tr>
<tr><td>V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?</td><td></td><td>✓</td><td>The Company is currently not within the scope of application for preparing the Corporate Social Responsibility Report defined in laws and regulations and hence has not prepared such a report.</td><td>No major difference</td></tr>
<tr><td colspan="5">VI. If the Company has established its own CSR principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, how are operations different from the established principles?
Enforce and consolidate corporate governance, develop a sustainable environment, take part in promoting public interests, and reinforce the disclosure of corporate social responsibility-related information. For further information about the operations, refer to the descriptions provided under each of the items mentioned above. No deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies.</td></tr>
</table>

VII. Other Important Information to Help Understand Utilization of Corporate Social Responsibilities:

(I) Environmental Protection:

Besides strictly following international environmental protection standards in its research and development of RoHS-compliant products, the Company authorizes a waste processing service provider approved by the Environmental Protection Administration to clear waste and follows the Waste Disposal Act, Noise Control Act, Air Pollution Control Act, among others, to prevent against pollution and to protect environmental hygiene.

(II) Community involvement, contributions to society, community service, and public interest:

Since the “Thinking Education Foundation” was founded, the Company has been reaching out to areas throughout Taiwan to express its care, such as adopting schooling children and sponsoring minority groups. Meanwhile, it has been working with respective units in organizing charity sales. Substantial action is taken for the Company to proactively get involved in boosting public interests and in fulfilling its social responsibilities.

Charity events organized by the Thinking Education Foundation in 2020: Sponsorship to help build the Fuzhi Educational Institute and adopting students with vision impairment at Huei-Ming School For Blind Children to provide schools and students with the resources truly needed; sponsoring multiple charity concerts, such as the Weiwuying Concert, the Baroque Camerata, and other indoor bands in addition to the Teacher Chang Youth Guidance Center in Kaohsiung that has been making contributions to Kaohsiung for over 40 years by promoting the importance of mental health, calling upon colleagues throughout the Company to proactively take part in each charity sale fair organized by the Genesis Social Welfare Foundation, the Chuen Yang Association, and the Taiwan Fund for Children and Families and to donate all earnings to the said organizers as well as various other public interest events.

(III) Consumer rights:

Despite the fact that the Company is a parts supplier, with customers primarily being assembly plants, without directly selling to consumers, for the sake of protecting the rights of customers, the Company has a responsible department and email box devoted to addressing related issues filed concerning the rights of customers.

(IV) Human rights:

The Company's employees are treated equal in terms of employment, regardless of their gender, religion, or partisanship. The Company also shapes an optimal workplace to ensure free of discrimination and harassment for its employees. In addition, the Company received the RBA Code of Conduct medal and continues to protect labor rights in honor of the medal.

(V) Safety and health:

The Company follows the requirements of governmental occupational safety and health laws and regulations in each of its safety and health tasks.

(VI) Certification:

Certifications that have been acquired by the Company include ISO 14001, ISO 45001 and ISO 14064-1 for greenhouse gas emissions inventory check, ISO/TS 16949 for its quality management criteria, and IECQ QC 080000 for its hazardous substance management system.

(VII) Response to Climate-related Risks and Opportunities:

Climate risks	Potential financial impacts	Climate opportunities	Potential financial impacts	Response in 2020
Unstable water and electricity supply	Production was impacted and the operating cost increased	Construction of green buildings	To reduce the operating water and electricity costs	Green buildings planned for new plants
		To improve water resource efficiency and utilization	To reinforce climate resilience and to reduce impacts of a disaster on the production	Recycling of process wastewater, with a recovery rate of >50%
Cost of developing water-saving processes	Increased cost of developing water-saving processes	Reduced use of water resource	To reduce the cost of operational water resource and to streamline the manufacturing procedure for increased profits	Investment in the development of water-saving processes
Typhoons, floods	Production suffering impacts to result in financial losses and a decline in revenue	To improve resistance against natural disasters	To reinforce climate resilience and to reduce chances of interrupted operations and possible losses	Foundation for new plants elevated by 50 cm
Drought				Rainwater recycling and water status monitoring mechanism for new plants
Rising temperature	Increased electricity consumption, costs, and carbon emissions	Promoting green, energy conservation, and carbon reduction	To conserve electricity and reduce cost	Mean electricity saving rate of >1% a year for the energy conservation project

(VIII) Risk Assessment:

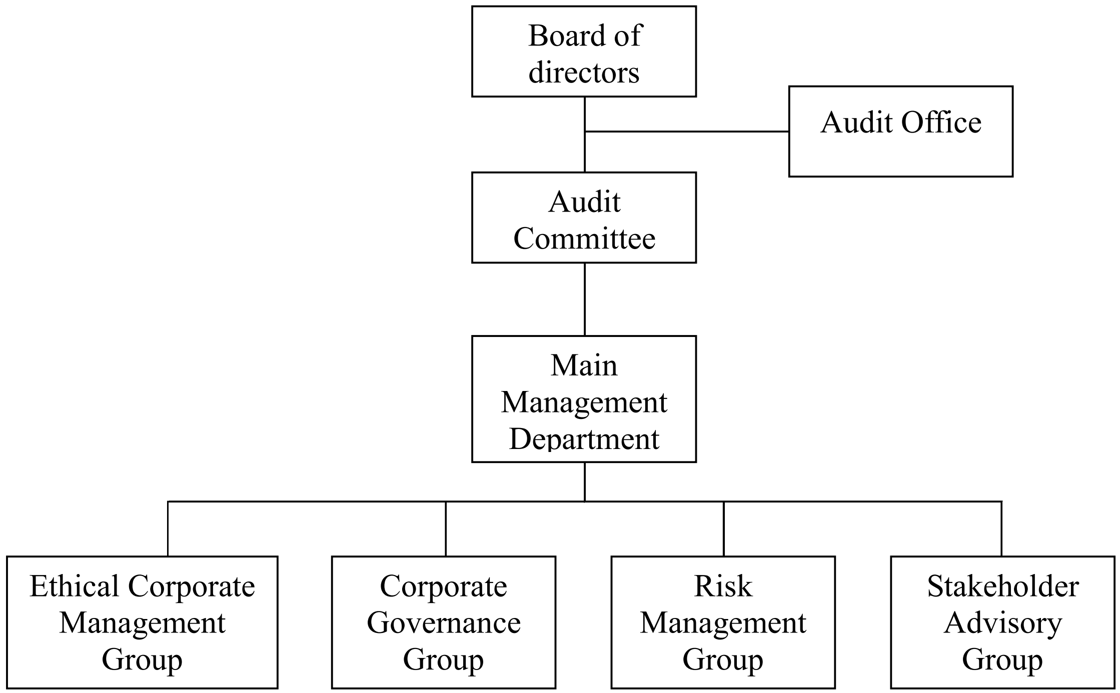
The Company performed related risk assessments of major issues according to the material principle of corporate social responsibilities and established related risk management policies or strategies as follows according to the risks determined:

Major issue	Risk assessment item	Risk management policy or strategy
Environment	Environmental protection and ecological conservation	The Company has been ISO 14001 certified for its environmental management system and is proactively devoted to environmental protection. All production and manufacturing processes are strictly compliant with applicable environmental protection laws and regulations. For contaminated water, waste reduction is a constant goal to be fulfilled before it is discharged. Current environmental protection equipment are improved and maintained so that environmental protection may last over the long term. The action plan and solution are defined on a yearly basis and the status of each goal is followed up and reflected upon periodically to ensure fulfillment of goals.
Society	Occupational safety	The Company has been ISO 45001 certified for its occupational safety and health management system. A safe and healthy workplace is provided, with the safety and health unit in place to proactively carry out related operations. Besides respective periodic disaster prevention drills and related educational trainings, equipment checks are reinforced to ensure safety and the work environment and safety protection facilities are proactively improved.
	Product safety	The Company has been QC 080000 certified for its hazardous substance procedure management system. Respective products are in compliance with government regulations and service laws and regulations and meet the international EU RoHS standards. Meanwhile, through the rigid quality system and by sending products for SGS testing periodically, customers are provided with products of steady quality. To ensure quality of service provided to customers and enhance customer satisfaction, on the other hand, there are the customer service department and website in place that spontaneously perform the customer satisfaction survey regularly once every year to reinforce the collaboration with customers. The reciprocal and co-prospering relationship forms the cornerstone for sustainable business development.
Corporate governance	Socioeconomic and compliance	By forming the governance organization and consolidating the internal control mechanism, compliance with applicable regulatory requirements by all staff and in operations of the Company is ensured.

Ethical Corporate Management Structure

In order to enforce its ethical corporate management policy and sound and integral operations, the Main Management Department also takes care of ethical corporate management. The head of the center is in charge of preparing the policy and subsequent preventive solutions and enforcing them and periodically reporting to the Board of Directors. Its responsibilities mainly include the following:

1. To help combine honesty and moral values as part of the Company's operational strategy and to prepare related preventive measures to ensure ethical corporate management as required by law.
2. To plan internal organization, configuration, and job responsibilities and to have mutual check and balance mechanisms in place for operational activities at relatively high risks of dishonest behaviors within the scope of operation.
3. To promote and coordinate initiative training on the integrity policy.
4. To plan a reporting system that helps ensure effective implementation.
5. To help the Board of Directors and the management inspect and evaluate whether preventive measures established to ensure ethical corporate management have been working effectively and to evaluate related operating procedures periodically for compliance, with a report produced.


Board of directors
Audit Office
Audit Committee
Main Management Department
Ethical Corporate Management Group
Corporate Governance Group
Risk Management Group
Stakeholder Advisory Group

vi. Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
I. Establishment of ethical corporate management policies and programs (I) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		(I) The Company's addition and revision to the Ethical Corporate Management Best-Practice Principles and the Operational Procedures and Behavioral Guide of Ethical Corporate Management were approved on March 23, 2020 by the Board of Directors. The solution to prevent against unethical behavior, the discipline, and complaint-filing system are defined in the Operational Procedures. To precisely enforce ethical corporate management, the Main Management Department is also assigned to be a unit subordinate to the Board of Directors to take charge of related systems and supervising their implementation and to report to the Board of Directors once a year.	No major difference
(II) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	✓		(II) The Ethical Corporate Management Best-Practice Principles and the Operational Procedures and Behavioral Guide of Ethical Corporate Management established by the Company already clearly stipulate that directors, managers, and all employees of the Company are prohibited to engage themselves in operational activities at relatively high risk of unethical behavior as set forth in each sub-paragraph under Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(III)Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		(III)The Company has established the Ethical Corporate Management Best-Practice Principles where the operating procedures, behavioral guide, penalties for violations, and complaint filing system are defined and have been enforced. Meanwhile, at the end of each year, when the Board of Directors presents the implementation report of ethical corporate management for the year, the Company's Ethical Corporate Management Best-Practice Principles (latest version dated March 23, 2020) are re-examined for whether revisions are required.	No major difference
II. Fulfill operations integrity policy (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(I) When the Company signs a contract with others, it shall cover compliance with the ethical corporate management policy and include the clause that in case of any unethical behavior of the counterparty, the Company may terminate or dismiss the contract at any time.	No major difference
(II) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		(II) The Company has the Main Management Department to also take care of the revision, implementation, interpretation, and advisory service for the operating procedures and information to be included in the report, among others, and to report to the Board of Directors at least once a year as required. The Main Management Department already reported the 2020 implementation status on March 22, 2021.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(III) The recusal system in case of conflicting interests for board directors is defined in the Company's Ethical Corporate Management Best-Practice Principles and Rules of Procedure for the Board of Directors' Meetings. In cases of conflicting interests for the director or the corporation represented by the director in any proposal included in the Board of Directors' meeting agenda that are likely to harm the interests of the Company, the proposer may state opinions and answer questions but may not take part in the discussions or cast a vote and shall be excused during discussion and voting and the director may not exercise voting rights on behalf of any other director.	No major difference
(IV) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		(IV) The Company has established a valid accounting system and internal control system and the Company's Internal Audit Unit performs regular and irregular inspections according to the Annual Audit Plan or a project-based plan and reports it to the Audit Committee and the Board of Directors on a quarterly basis. In addition, the Company follows the requirements of applicable laws and regulations to have the CPA to take charge of auditing and certifying accounting books.	
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(V) To ensure that ethical corporate management covers the RBA Code of Conduct Handbook, compliance with laws and regulations, the accounting system, and internal control, etc., the Company held related courses, 35 sessions in total, in 2020 and 1,397 of its people attended self-organized or outsourced educational trainings totaling 4,165 hours.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
III. Operation of the integrity channel (I) Does the Company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists to investigate reported matters?	✓		(I) The Company has the measures in place to handle and manage opinions, advice, and complaints from employees and there is the exclusive section for stakeholders on the company website where the email box and telephone are provided for employees to express themselves. The Company has also set up the Complaint Committee to take charge of addressing complaints.	No major difference
(II) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(II) The Complaint Committee is chaired by the President and consists members who are heads of respective departments or higher-ranking officials. Upon receipt of a complaint, the Chairman assigns at least three members to form a task force that will conduct an investigation and finish the evaluation process within 60 days. The task force shall release the evaluation decision on the bulletin board yet may not disclose related personal information.	
(III) Does the company provide proper whistleblower protection?	✓		(III) While filing a report, the Company's staff may choose to do so anonymously yet the Company encourages them to identify themselves to facilitate communications and investigations. Upon receipt of a report, the recipient shall take reasonable preventive and protective measures to ensure quality of investigation and to prevent the reporter against unfair retaliation or treatment.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>IV. Strengthening information disclosure
Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</td><td>✓</td><td></td><td>The Company discloses details about the established Ethical Corporate Management Best-Practice Principles and the implementation efficacy in the exclusive section for Corporate Social Responsibility on the company website.</td><td>No major difference</td></tr>
<tr><td colspan="5">V. If the company has its own Ethical Management Principles established according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, the differences between its implementation and the principles: No major difference.</td></tr>
<tr><td colspan="5">VI. Other important information to help understand the implementation of the ethical corporate management of the company:
The Company insists on engaging itself in all business activities in honor of the ethical corporate management principle: When signing a contract with others, the Company shall include compliance with the ethical corporate management policy and contain the clause that the contract may be terminated or dismissed at any time if a counterpart is found with any unethical behavior. For investments made by shareholders, the Company manages them professionally and diligently to ensure fair, sustainable, and competitive returns for the best interest of the shareholders. Working conditions to protect the health and safety of each employee are provided. Employees are listened to and their complaints and issues are dealt with sincerely. Employees are encouraged and helped to develop related skills and knowledge and avoid illegal activities. Employees are offered sustainable employment. The Company values the rights of each stakeholder for the sake of promoting sustainable corporate developments.</td></tr>
</table>

vii. Inquires about the Corporate Governance Best-Practice Principles and related regulations established by the Company:

The Company has established related regulations such as the Corporate Governance Best-Practice Principles, the Corporate Social Responsibility Best-Practice Principles, and the Ethical Corporate Management Best-Practice Principles, among others. To make inquiries, visit the exclusive section for “corporate governance and operation” on the company website (http://www.thinking.com.tw).

viii. Other important information that is sufficient to boost knowledge of corporate governance: None.

ix. Implementation of Internal Control System: The following information shall be disclosed.

(1) Statement of Internal Control System

Thinking Electronic Industrial Co., Ltd.

Statement of Internal Control System

Date: March 22, 2021

For the Company's internal control system of 2020, it is hereby declared as follows according to the self-assessment findings:

I. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reporting reliability, timeliness, transparency, and compliance with applicable regulations and laws and regulatory requirements, among other goals.

II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment
or situation changes. There is a self-surveillance mechanism, however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. For the above-mentioned items, refer to the requirements in the “Governing Regulations."

IV. The Company has already adopted the aforesaid items to evaluate the effectiveness in the design and implementation of its internal control system.

V. Pursuant to the results of the above-mentioned evaluations, the Company is of the view that the design and implementation of its internal control system as of

December 31, 2020 (including its supervision and management of subsidiaries), including its awareness of the extent by which the operating effects and efficiency goals are fulfilled, reliability of reports, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.

VI. This declaration constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. In case of falsification or concealment, among other illegal conditions, with the above-mentioned released contents, liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act will be sought.

VII. This Declaration was approved at the meeting of the Company's Board of Directors on March 22, 2021 with no directors expressing dissent out of the 7 Directors in attendance.

Thinking Electronic Industrial Co., Ltd.

Chairman of Board: Sui, Tai-Chung

President: Ho, Yi-Sheng

(2) If review of the internal audit system is outsourced to CPAs as an exception, the CPA Review Report shall be disclosed: None.

x. For the Most Recent Fiscal Year and during the Current Fiscal Year up to the date of Publication of the Annual Report, facts about penalties imposed upon the Company and its internal personnel for their violation of the internal control system, major defects and the corrective actions taken: None.

xi. Important resolutions of shareholders meeting and board meeting in the most recent year and during the current fiscal year up to the date of publication of the annual report:

(1) Decisions made through the General Shareholders' Meeting by attending shareholders on June 15, 2020 and their implementation status:

A. Approval of 2019 Business Report and Financial Statements.

B. Approval of distribution of earnings for 2019.

Implementation: September 2, 2020 was set to be the ex-dividend record date and September 18, 2020 the payment date. (NTD 4.2 as cash dividends per share)

C. Approval of the revision to the Articles of Incorporation.

Implementation: Registration was approved by the Ministry of Economic Affairs on June 30, 2020 and it was announced on the company website.

D. Approval of the revision to the Rules of Procedure for Shareholders' Meetings.

Implementation: Related procedures have been enforced according to the post-revised Rules.

E. Re-election of Directors.

Director: Representative of Boh Chin Investment Co., Ltd.: Sui, Tai-Chung
Representative of Boh Chin Investment Co., Ltd.: Ho, Yi-Sheng
Chen, Yen-Hui
Chang, Shan-Hui

Independent directors: Huang, Cheng-Nan, Chen, Hsiu-Yen, Chou, Chi-Wen

Implementation: Registration was approved by the Ministry of Economic Affairs on June 30, 2020 and it was announced on the company website.

F. Approval of lifting of the non-competition pledge obligations upon the newly elected directors.

Implementation: It has been enforced according to the decision made in the shareholders' meeting.

(2) Important decisions of the Board of Directors:

Item No.	Date	Important decision
1	1/13/2020	1. Assignment of directors and supervisors for the subsidiary, Guangdong Welkin Thinking Electronic Co., Ltd. 2. Assignment of directors and supervisors for the subsidiary, Dong Guan Welkin Electronic Co., Ltd. 3. Assignment of directors and supervisors for the subsidiary, Thinking (Changzhou) Electronic Co., Ltd. 4. Discussion of regulations relevant to the compensation and rewards policy, system, criteria, and structure of 2020. 5. The amount of the year-end-bonus for managers for 2019.

Item No.	Date	Important decision
		6. Monthly salary structure, amount paid, and expected pension appropriation for managers for 2020.
		7. Extension of liability insurance coverage for directors (including independent directors).
		8. Revision of the Operating Procedure for Preparing Financial Statements.
2	3/23/2020	1. 2019 Internal Control System Declaration.
		2. 2019 remuneration to employees and that to directors.
		3. 2019 Financial Statements.
		4. 2019 Business Report.
		5. 2019 Earnings Distribution Table.
		6. Revision of the Rules of Procedure for Board of Directors' Meetings.
		7. Revision of the Audit Committee Organic Rules.
		8. Establishment of the Regulations for the Establishment of Independent Directors and Requirements to Be Followed and the Board of Directors Performance Evaluation Guidelines.
		9. Revision of the Rules of Procedure for Shareholders' Meetings.
		10. Revision of the Ethical Corporate Management Best-Practice Principles.
		11. Revision of the Operational Procedures and Behavioral Guide of Ethical Corporate Management.
		12. Establishment of the Regulations for the Establishment and Exercise of Function of the Compensation and Remuneration Committee.
		13. Revision of the Compensation and Remuneration Committee Organic Rules.
		14. Revision of the Articles of Incorporation.
		15. 2020 Operational Plan.
		16. Revision of the Internal Control System and Internal Audit Enforcement Rules.
		17. Independence and suitability assessment of CPAs and delegation and rewards of CPAs for 2020 financial statements and tax reporting.
		18. The Operating Procedure for Lending to Others.
		19. Comprehensive re-election of Board directors through 2020 shareholders' meeting.
		20. Deadline for nominating independent director candidates, the number of openings, and the venue to do so.

Item No.	Date	Important decision
		21. Lifting of the Company's business strife limitation clause for newly elected directors and corporations and their representatives. 22. Convening of shareholders' meeting.
3	3/27/2020	1. Buyback of corporate shares by acquiring the treasury stock shares.
4	5/5/2020	1. Extension of lines of credit for bank financing and trading of derivatives. 2. Capital increase in cash organized by the subsidiary, Thinking Holding (Cayman) Co., Ltd. for the reinvested company, Thinking International Co., Ltd. 3. Board of Directors' review of the list of independent director candidates. 4. Change in the cause for convening the shareholders' meeting.
5	6/15/2020	1. Election of Chairman.
6	7/13/2020	1. Hiring of members of the Compensation and Remuneration Committee. 2. Revision of the Guidelines for Buying Back Shares and Assigning Them to Employees. 3. Revision of the Operating Procedure for Buying Back Treasury Stock Shares. 4. Revision of the Corporate Governance Best-Practice Principles. 5. Revision of the Short-and-Long-Term Investment Management Guidelines.
7	8/10/2020	1. Extension of lines of credit for bank financing and trading of derivatives. 2. Revision of the internal control system and Internal Audit Enforcement Rules. 3. Distribution of dividends in cash. 4. Distribution of remuneration to directors (including independent directors) for 2019. 5. Distribution of employee remuneration to managers for 2019. 6. Proposal from the Compensation and Remuneration Committee.
8	11/9/2020	1. Extension of lines of credit for bank financing and trading of derivatives. 2. 2021 Audit Plan. 3. Remuneration to members of the Compensation and Remuneration Committee for 2020. 4. Intended investment to set up a company in Mainland China by the subsidiary, Dong Guan Welkin Electronic Co., Ltd.

Item No.	Date	Important decision
9	1/18/2021	1. Assignment of directors and supervisors for the subsidiary, Jiang Xi Thinking Electronic Co., Ltd.. 2. Extension of lines of credit for financing with financial institutions and trading of derivatives. 3. Discussion of regulations relevant to the compensation and rewards policy, system, criteria, and structure of 2021. 4. The amount of the year-end-bonus for managers for 2020. 5. Monthly salary structure, amount paid, and expected pension appropriation for managers for 2021. 6. Extension of liability insurance coverage for directors (including independent directors). 7. Amendment to the budget for the investment in building new facilities in Nanzi Export Processing Zone. 8. Revision of the Rules of Procedure for Board of Directors' Meetings. 9. Revision of the Scope of Responsibilities and Rules for Independent Directors, Audit Committee Organic Rules, and Board of Directors Performance Evaluation Guidelines.
10	3/22/2021	1. 2020 Internal Control System Declaration. 2. 2020 remuneration to employees and that to directors. 3. 2020 Financial Statements. 4. 2020 Business Report. 5. 2020 Earnings Distribution Table. 6. 2021 Operational Plan. 7. Independence and suitability assessment of CPAs and delegation and rewards of CPAs for 2021 financial statements and tax reporting. 8. Revision of the Articles of Incorporation. 9. Convening of shareholders' meeting.

xii. In recent fiscal year and as of the date of this Annual Report, major contents of the record or written statements made by any director dissenting to important resolutions adopted by the Board of Directors: None.

xiii. In recent fiscal year and as of the date of this Annual Report, facts regarding resignation and dismissal of the Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:None.

3.5 Information on Public Expenditure on CPAs:

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Chiang Jia-Ling	Wu Chiu-Yen	1/1/2020-12/31/2020	

Unit: NT$

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Less than NT$ 2,000,000		✓	
2	NT$2,000,000 ~ NT$3,999,999			
3	NT$4,000,000 ~ NT$5,999,999	✓		
4	NT$6,000,000 ~ NT$7,999,999			
5	NT$8,000,000 ~ NT$9,999,999			
6	Over NT$100,000,000			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note)	Subtotal		
Deloitte & Touche	Chiang Jia-Ling Wu Chiu-Yen	4,500	-	-	-	798	798	1/1/2020 -12/31/2020	

Note: The scope of service includes the transfer of pricing worth NTD 410 thousand, disbursement fees worth NTD 198 thousand, direct deductions worth NTD 65 thousand, salaries for those who are no heads of departments worth NTD 60 thousand, assistance in Investment Commission affairs worth NTD 45 thousand, and regulatory charge for scrappage of inventories worth NTD 20 thousand.

i. Non-audit public expenditure paid to CPAs, their firms, and their affiliates that accounts for more than one-fourth of the audit public expenditure: None.

ii. The accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year: None.

iii. The audit public expenditure is reduced by more than 10% from the preceding year: None.

3.6 Information on Replacement of CPAs: None.

3.7 The Company's Chairman, President, Officers in charge of Financial or Accounting Affairs has Served in Its Certified Public Accountant Firm or Its Affiliated Enterprise for the Most Recent Fiscal Year: None.

3.8 Transfer of Equity Interests and/or Pledge of or Changes in Equity Interests by Directors, Managers or Major Shareholders with a Stake of More than 10 Percent for the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report:

i. Changes in Equity of Directors, Managers, and Major Shareholders

Title	Name	2020		2021 (as of April 27)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman Director Major Shareholders (Note 1)	Boh Chin Investment Co., Ltd. Representative: Sui, Tai-Chung Ho, Yi-Sheng	-	-	-	-
Representative of Director and Manager at the branch office in Nanzi	Sui, Tai-Chung	-	-	-	-
Representative of Director and President	Ho, Yi-Sheng	-	-	-	-
Director	Chen, Yen-Hui	-	-	-	-
Director	Chang, Shan-Hui	-	-	-	-
Independent Director	Huang, Cheng-Nan	-	-	-	-
Independent Director	Chen, Hsiu-Yen	-	-	-	-
Independent Director	Chou, Chi-Wen	-	-	-	-
Major Shareholders (Note 1)	Yih Chin Investment Co., Ltd.	-	-	-	-
Associate Vice President at the Main Management Department	Chen, Su-Ai	-	-	-	-
Technical Vice President at the R&D Department	Hsiao, Fu-Chang	-	-	-	-
Head of Plant	Chang, Mei-Hui	-	-	-	-
Head of Plant (Note 2)	Lu, Shih-Quan	-	-	-	-

Title	Name	2020		2021 (as of April 27)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Associate Vice President at the Second Division of R&D Department	Chiu, Chung-Chi	-	-	-	-
Associate Vice President at the Third Division of R&D Department (Note 3)	Lu, Yi-Mu	-	-	-	-
Associate Vice President at the Quality Assurance Department	Shih, Shao-Liang	-	-	-	-
Associate Vice President at the Product and Marketing Department	Hou, Te-Hsin	-	-	-	-
Associate Vice President at the Domestic Market Division of the Operational Department	Su, Shu-Li	-	-	-	-
Manager of Finance Department	Hung, Yu-Fang	-	-	-	-

Note 1: Major shareholders are those holding more than 10% of the overall shares of the Company.
Note 2: Dismissed on April 30, 2020
Note 3: Dismissed on March 31, 2021
Note 4: The table above does not include the situation where the counterparty of the equity transfer or equity pledge is a related party.

ii. Information on Transfer of Equity: None

iii. Information on Pledge of Equity: None

3.9 Relationship among the Top Ten Shareholders

April 27, 2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Boh Chin Investment Co., Ltd. Representative: Sui, Tai-Chung	27,178,247	21.21%	-	-	-	-	Yih Chin Investment Co., Ltd. Sui, Tai-Chung Sui, Wan-Ni Sui, Chieh-Heng Sui, Chung-Hua	Relatives within second degree of kinship of the representative of Boh Chin Investment Co., Ltd.	
Yih Chin Investment Co., Ltd. Person in charge: Sui, Chung-Hua	15,871,153	12.39%	-	-	-	-	Boh Chin Investment Co., Ltd. Sui, Tai-Chung Sui, Chung-Hua	Relatives within second degree of kinship of the Chairman of Yih Chin Investment Co., Ltd.	
Chang, Jui-Min	8,417,000	6.57%	-	-	-	-	None	None	
Sui, Tai-Chung	4,080,862	3.19%	1,474,733	1.15%	-	-	Boh Chin Investment Co., Ltd. Yih Chin Investment Co., Ltd. Sui, Wan-Ni Sui, Chieh-Heng Sui, Chung-Hua	Relatives within second degree of kinship	
Sui, Wan-Ni	3,465,829	2.71%	-	-	-	-	Boh Chin Investment Co., Ltd. Sui, Tai-Chung Sui, Chieh-Heng	Relatives within second degree of kinship	
Sui, Chieh-Heng	2,484,469	1.94%	-	-	-	-	Boh Chin Investment Co., Ltd. Sui, Tai-Chung Sui, Wan-Ni	Relatives within second degree of kinship	
FPA Global Opportunity Fund Investment Account in the trusteeship of CitiBank	2,460,000	1.92%	-	-	-	-	None	None	
Sui, Chung-Hua	1,763,719	1.38%	-	-	-	-	Boh Chin Investment Co., Ltd. Yih Chin Investment Co., Ltd. Sui, Tai-Chung	Relatives within second degree of kinship	
LGT in the trusteeship of Standard Chartered Bank	1,640,000	1.28%	-	-	-	-	None	None	
Robur Global Emerging Market Fund Investment Account in the trusteeship of the Business Operation Department of Standard Chartered Bank	1,619,000	1.26%	-	-	-	-	None	None	

3.10 Number of Shares Held by the Company, the Company's Directors, Managers, and Directly or Indirectly Controlled Businesses and the Consolidated General Holding Ratio as follows:

Date: December 31, 2020 Unit: Share; %

Affiliated Enterprises	Ownership by the Company		Ownership by the Company's Directors, Managers, and Directly or Indirectly Controlled Businesses		Total Ownership	
	Shares	%	Shares	%	Shares	%
Yenyo Technology Co., Ltd.	21,232,508	52.61	647,012	1.60	21,879,520	54.21
Greenish Co., Ltd.	7,374,997	100.00	-	-	7,374,997	100.00
Thinking Holding (Cayman) Co., Ltd.	24,728,858	100.00	-	-	24,728,858	100.00
Thinking International Co., Ltd.	-	-	6,075,000	100.00	6,075,000	100.00
Thinking (HK) Enterprises Limited	-	-	10,020,000	100.00	10,020,000	100.00
View Full (Samoa) Ltd.	-	-	5,055,000	100.00	5,055,000	100.00
Thinking Electronic (Samoa) Ltd.	-	-	2,598,858	100.00	2,598,858	100.00
Thinking (Changzhou) Electronic Co., Ltd.	-	47.39	-	52.61	-	100.00
Thinking (Yichang) Electronic Co., Ltd.	-	-	-	100.00	-	100.00
Jiang Xi Thinking Electronic Co., Ltd.	-	-	-	100.00	-	100.00
Guangdong Welkin Thinking Electronic Co., Ltd.	-	-	-	100.00	-	100.00
Dong Guan Welkin Electronic Co., Ltd.	-	-	-	100.00	-	100.00
Welkin Electronic Co., Ltd.	-	-	-	100.00	-	100.00

IV. Capital Overview

4.1 Capital and Shares

i. Source of Capital

Unit: Share; NTD

Month/ Year	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
7/1979	10,000	300	3,000,000	300	3,000,000	Establishment (cash)	None	
1/1986	10,000	600	6,000,000	600	6,000,000	Capital increase in cash NTD 3,000,000	None	
5/1989	10,000	2,600	26,000,000	2,600	26,000,000	Capital increase in cash NTD 20,000,000	None	
11/1994	10	12,600,000	126,000,000	12,600,000	126,000,000	Capital increase in cash NTD 50,000,000 Earnings transferred capital increase NTD 50,000,000	None	
5/1996	10	18,900,000	189,000,000	18,900,000	189,000,000	Capital increase in cash NTD 25,200,000 Earnings transferred capital increase NTD 37,800,000	None	
5/1997	10	30,240,000	302,400,000	30,240,000	302,400,000	Earnings transferred capital increase NTD 113,400,000	None	5/15/1997 (1997) Tai-Cai-Zheng (I) No. 39314
7/1998	10	43,848,000	438,480,000	43,848,000	438,480,000	Earnings transferred capital increase NTD 136,080,000	None	7/22/1998 (1998) Tai-Cai-Zheng (I) No. 59845
5/1999	10	90,000,000	900,000,000	57,602,400	576,024,000	Earnings transferred capital increase NTD 137,544,000	None	5/24/1999 (1999) Tai-Cai-Zheng (I) No. 48165
7/2000	10	90,000,000	900,000,000	69,362,640	693,626,400	Capital increase in cash NTD 50,000,000 Earnings transferred capital increase NTD 67,602,400	None	(1) 7/12/2000 (2000) Tai-Cai-Zheng (I) No. 58119 (2) 7/6/2000 (2000) Tai-Cai-Zheng (I) No. 58129
7/2001	10	90,000,000	900,000,000	75,707,951	757,079,510	Earnings transferred capital increase NTD 63,453,110	None	7/10/2001 (2001) Tai-Cai-Zheng (I) No. 144251
7/2002	10	120,000,000	1,200,000,000	82,075,000	820,745,000	Earnings transferred capital increase NTD 63,665,490	None	7/9/2002 Tai-Cai-Zheng (I) No. 0910137524
7/2003	10	120,000,000	1,200,000,000	87,568,977	875,689,770	Earnings transferred capital increase NTD 54,944,770	None	6/27/2003 Tai-Cai-Zheng (I) No. 0920128599
9/2004	10	120,000,000	1,200,000,000	95,399,495	953,994,950	Earnings transferred capital increase NTD 78,305,180	None	7/7/2004 SFB (I) No. 0930129935

Month/ Year	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
11/2004	10	120,000,000	1,200,000,000	95,447,433	954,474,330	Domestic convertible corporate bonds-converted NTD 479,380	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
2/2005	10	120,000,000	1,200,000,000	95,487,548	954,875,480	Domestic convertible corporate bonds-converted NTD 401,150	None	5/19/2004 Tai-Cai-Zheng (I) No. No. 0930118845
5/2005	10	120,000,000	1,200,000,000	97,667,290	976,672,900	Domestic convertible corporate bonds-converted NTD 21,797,420	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
1/2006	10	120,000,000	1,200,000,000	97,748,021	977,480,210	Domestic convertible corporate bonds-converted NTD 807,310	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
5/2006	10	120,000,000	1,200,000,000	101,257,137	1,012,571,370	Domestic convertible corporate bonds-converted NTD 35,091,160	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
7/2006	10	120,000,000	1,200,000,000	101,574,680	1,015,746,800	Domestic convertible corporate bonds-converted NTD 3,175,430	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
11/2006	10	120,000,000	1,200,000,000	101,617,736	1,016,177,360	Domestic convertible corporate bonds-converted NTD 430,560	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
1/2007	10	120,000,000	1,200,000,000	105,347,544	1,053,475,440	Domestic convertible corporate bonds-converted NTD 37,298,080	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
4/2007	10	120,000,000	1,200,000,000	106,090,277	1,060,902,770	Domestic convertible corporate bonds-converted NTD 7,427,330	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
7/2007	10	120,000,000	1,200,000,000	106,138,715	1,061,387,150	Domestic convertible corporate bonds-converted NTD 484,380	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
9/2007	10	140,000,000	1,400,000,000	117,007,808	1,170,078,080	Earnings transferred capital increase NTD 108,690,930	None	7/5/2007 FSC (I) No. 0960034307
1/2008	10	140,000,000	1,400,000,000	117,025,611	1,170,256,110	Domestic convertible corporate bonds-converted NTD 178,030	None	5/19/2004 Tai-Cai-Zheng (I) No. 0930118845
12/2008	10	140,000,000	1,400,000,000	113,867,611	1,138,676,110	Write-off of treasury stock shares NTD 31,580,000	None	9/26/2008 FSC (III) No. 0970051455 11/26/2008 FSC (III) No. 0970064758

Month/ Year	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
10/2009	10	140,000,000	1,400,000,000	117,109,570	1,171,095,700	Domestic convertible corporate bonds-converted NTD 32,419,590	None	5/13/2008 FSC (I) No. 0970019246
1/2010	10	140,000,000	1,400,000,000	127,566,161	1,275,661,610	Domestic convertible corporate bonds-converted NTD 104,565,910	None	5/13/2008 FSC (I) No. 0970019246
2/2012	10	140,000,000	1,400,000,000	126,948,161	1,269,481,610	Write-off of treasury stock shares NTD 6,180,000	None	11/22/ 2011 FSC (Trading) No. 1000057936
2/2015	10	140,000,000	1,400,000,000	127,223,061	1,272,230,610	Domestic convertible corporate bonds-converted NTD 2,749,000	None	1/5/2011 FSC (Issuance) No. 0990071937
4/2015	10	140,000,000	1,400,000,000	127,308,846	1,273,088,460	Domestic convertible corporate bonds-converted NTD 857,850	None	1/5/2011 FSC (Issuance) No. 0990071937
2/2016	10	140,000,000	1,400,000,000	128,112,726	1,281,127,260	Domestic convertible corporate bonds-converted NTD 8,038,800	None	1/5/2011 FSC (Issuance) No. 0990071937

Unit: Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	128,112,726	11,887,274	140,000,000	TWSE-listed

Information for shelf registration: None.

ii. Status of Shareholders

April 27, 2021

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	-	56	10,186	129	10,371
Shareholding (shares)	-	-	45,826,224	62,022,049	20,264,453	128,112,726
Ratio (%)	-	-	35.77	48.41	15.82	100.00

iii. Shareholding Distribution Status

(1) Common shares:

Denomination per share: NTD 10; April 27, 2021

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Ratio (%)
1 ～ 999	2,522	394,869	0.31
1,000 ～ 5,000	6,751	11,944,834	9.32
5,001 ～ 10,000	546	4,359,576	3.40
10,001 ～ 15,000	151	1,898,527	1.48
15,001 ～ 20,000	91	1,694,331	1.32
20,001 ～ 30,000	92	2,383,967	1.86
30,001 ～ 50,000	52	2,085,818	1.63
50,001 ～ 100,000	67	4,829,177	3.77
100,001 ～ 200,000	35	4,937,163	3.85
200,001 ～ 400,000	33	8,974,194	7.01
400,001 ～ 600,000	9	4,518,365	3.53
600,001 ～ 800,000	6	4,111,792	3.21
800,001 ～ 1,000,000	2	1,667,101	1.30
1,000,001 or over	14	74,313,012	58.01
Total	10,371	128,112,726	100.00

(2) Preferred shares: None.

iv. List of Major Shareholders:

April 27, 2021

Shareholder's Name	Shareholding	
	Shares	Percentage
Boh Chin Investment Co., Ltd.	27,178,247	21.21
Yih Chin Investment Co., Ltd.	15,871,153	12.39
Chang, Jui-Min	8,417,000	6.57
Sui, Tai-Chung	4,080,862	3.19
Sui, Wan-Ni	3,465,829	2.71
Sui, Chieh-Heng	2,484,469	1.94
FPA Global Opportunity Fund Investment Account in the trusteeship of CitiBank	2,460,000	1.92
Sui, Chung-Hua	1,763,719	1.38
LGT in the trusteeship of Standard Chartered Bank	1,640,000	1.28
Robur Global Emerging Market Fund Investment Account in the trusteeship of the Business Operation Department of Standard Chartered Bank	1,619,000	1.26

Note: Major shareholders are those holding 5% or more of the Company’s equity or Top 10 shareholders.

v. Market Price, Net Worth, Earnings, and Dividends per Common Share for the last two fiscal years

Unit: NTD$

	Items		2019	2020	2021 (as of March 31)
Market Price per Share (Note 1)	Highest		99.70	164.50	219.50
	Lowest		71.00	59.30	160.00
	Average		83.08	101.56	187.00
Net Worth per Share (Note 2)	Before Distribution		49.73	57.02	60.02
	After Distribution		45.53	Undistributed	Undistributed
Earnings per Share	Weighted Average Shares (thousand shares)		128,113	128,113	128,113
	Earnings Per Share		8.71	10.81	3.18
Dividends per Share	Cash Dividends		4.20	5.50 (Note 6)	-
	Share Dividends	Earning Distribution	-	-	-
		Capital Distribution	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price / Earnings Ratio (Note3)		9.54	9.40	-
	Price / Dividend Ratio (Note 4)		19.78	18.47	-
	Cash Dividend Yield (Note 5)		5.06	5.42	-

Note 1: The annual mean market price of each year is calculated by the trading value and trading volume each year.

Note 2: Based on the number of shares already issued at the end of the year and information provided according to the distribution decided through the shareholders' meeting in year that followed.

Note 3: Price/Earnings Ratio = Average Market Price/Earnings Per Share.

Note 4: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share.

Note 5: Cash Dividends Yield = Cash Dividends Per Share / Average Market Price..

Note 6: It has been approved by the Board of Directors that the dividends to be distributed for 2020 are NTD 5.50 per share in cash yet it is pending approval through the 2021 General Shareholders' Meeting.

vi. Dividend Policy and Implementation Status

(1) The Company's dividend distribution policy is as follows:

A. Criteria for issuing dividends: The dividends ratio expected to be set aside by the Company takes into consideration the current and future development plans of the Company, the investment environment, the demand for funds, and domestic and international competition as well as shareholders' interests. It is not less than 30% after the legal reserve is subtracted from the after-tax earnings for the year.

B. Timing of distribution of dividends: According to the Company Act, the Board of Directors will prepare the Earnings Distribution Proposal at the end of each operational year after financial statements have been audited and certified by CPAs and submits it for ratification during the shareholders' meeting prior to distribution.

C. Value and type of dividends to be distributed: Cash dividends may not be less than 20% in the dividends distributed by the Company.

(2) Distribution of dividends intended to be proposed and discussed during the current shareholders' meeting:

NTD 704,619,993 is intended to be set aside as shareholder bonus from the distributable earnings of 2020, that is, NTD 5.50 per share as cash dividends will be distributed. Once it is approved and finalized through the General Shareholders' meeting, distribution will take place according to applicable requirements.

vii. Impacts of free share assignment intended through the current shareholders' meeting on the Company's operational performance and earnings per share: Not applicable.

viii. Employees' and Directors' Compensation:

(1) Percentage or range of remuneration to employees and that to the directors as stated in the Company's Articles of Incorporation:

If the Company retains earnings at the end of the fiscal year, it is required to allocate 2% thereof as the remuneration to employees. The Board of Directors shall resolve to pay the remuneration in the form of stock or in cash. The recipients entitled to receive the remuneration include the employees of subsidiaries of the Company meeting certain specific requirements. The Company may allocate no more than 2% of said earnings as the remuneration to directors per resolution by the Board of Directors. The motion for distribution of remuneration to employees and directors shall be reported to a shareholders' meeting.

However, when the Company still has accumulated losses, an amount equivalent to said losses shall be reserved to make up for the loss in advance. The remainder, if any, shall be allocated as the remuneration to employees and that to directors according to the ratio mentioned in the preceding paragraph.

(2) The remuneration to directors of the Company is paid not only taking into consideration the overall operational performance of the Company and the developmental trends in the future but also the advice provided and contributions of each director to the Company in their respective specialized field, such as commerce, legal affairs, and finance. The Company relies on and values the professional opinions from each director. As such, the attendance of each director in each organizational meeting and periodic continuing education in the specialized field on a yearly basis completed by the director are also considered while reasonable rewards are provided to directors. The compensation legitimacy assessment is adjusted adequately depending on the actual operational status of the Company and applicable regulatory requirements and is reviewed by the Compensation and Remuneration Committee and the Board of Directors for the sake of sustainable operation and development of the Company.

(3) Accounting measures adopted in case of any difference between the basis for estimating the amount of remuneration to employees and that to directors, basis for calculating the number of shares included in the distribution of remuneration for employees, and the actual value distributed and their estimates of the current term:

A. After the end of the year, in case of major changes to the value to be distributed as decided by the Board of Directors, such changes shall be listed under annual expenditure.

B. On the date a decision is made by the shareholders' meeting, if the value remains changed, on the other hand, it shall be handled as changes to accounting estimates and the adjustment will be book-kept for the year of the shareholders' meeting where the decision is made.

(4) Approval of distribution of remuneration by the Board of Directors:

A.The proposals approved by the Board of Directors regarding 2020 earnings are as follows:

(a) Distribution of the remuneration to employees in cash worth NTD 64,300 thousand.

(b) Distribution of the remuneration to directors worth NTD 23,400 thousand.

B. Ratio of the value of remuneration for employees distributed in stock and the sum of after-tax income and total value of remuneration for employees in the entity or individual financial statement of the current term:

It was approved by the Company's Board of Directors on March 22, 2021 that only remuneration to employees would be distributed in cash.

(5) Actual distribution of the remuneration to employees and that to directors in the preceding year:

The actual distribution was consistent with the proposal approved by the Board of Directors. Refer to "VI. Financial Information - Notes to 2020 Financial Statements."

ix. Buy-back of Treasury Share

May 29, 2020

Instance	Sixth
Purpose	To protect the Company's credit and the shareholder equity
Type of shares bought back	Common shares
Upper limit of total value of shares to be bought back (NTD)	4,552,192,896
Expected buyback duration	2020.03.30~2020.05.29
Expected quantity to be bought back (share)	1,200,000
Buyback price range (NTD)	51.10~80.00 Buyback to be continued if the Company's share price is below the lower limit of the range
Type and quantity of shares already bought back	-
Value of shares already bought back	-
Number of shares bought back/Number of shares expected to be bought back (%)	-

4.2 Corporate Bonds: None.

4.3 Preferred Shares: None.

4.4 Global Depositary Receipt: None.

4.5 Status of Employee Share Options: None.

4.6 Status of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation:

The Company does not issue or raise in private marketable securities for the sake of acquiring funds and hence there is no such capital utilization plan.

V. Operational Highlights

5.1 Business Activities

i. Business Scope

(1) The Company's business lines are stated as follows:

A. C901010 Ceramic and Ceramic Products Manufacturing
B. CB01010 Machinery and Equipment Manufacturing
C. CC01020 Electric Wires and Cables Manufacturing
D. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
F. CC01080 Electronic Parts and Components Manufacturing
G. CC01110 Computer and Peripheral Equipment Manufacturing
H. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
I. CD01030 Motor Vehicles and Parts Manufacturing
J. CE01010 General Instrument Manufacturing
K. F401010 International Trade

(2) Revenue Distribution:

December 31, 2020

Major Divisions	Total Sales in Year	(%) of Total Sales
Protection Element	5,742,106	96.99
Other	178,152	3.01
Total	5,920,258	100.00

(3) Main products:

A. Thermistor
B.Varistor
C. Temperature sensor

(4) New products and services planned to be developed:

A. Automobile SMD thermistors and varistors in varying specifications.
B. Certain models of SMD high-pass varistors for 5G applications.
C. SMD 1206 and SMD 1210 high-voltage and high-pass varistors.
D. SMD 0603 ultra-low capacity electrostatic discharge protector specifications for automobiles
E. SMD 0402 ultra-low capacity electrostatic discharge protector 30KV electrostatic model
F. SMD 0201 small-size NTC thermistors
G. High-temp glass seal type NTC thermistors for automobiles resistant to temperatures up to 300°C
H. Anti-vulcanization and anti-metal migration SMD thermistors
I. Thermistors with special temperature points 100°C ~150°C
J. High-B and low-resistance NTC thermistors
K. Certain models of SMD high-frequency thermistors for 5G applications.
L. Highly reliable protective coatings for SMD thermistors

M. Micro high-responding speed glass seal type NTC thermistors
N. Micro, highly stable, high-precision medical NTC thermistors
O. NTC thermistors resistant to temperatures up to 500°C
P. Automobile sensors
Q. SMD PTC ultra-low resistance thermistors
R. SMD PTC thermistor over-current protectors for automobiles
S. SMD 0201 PTC thermistor over-current protectors
T. Large (1210) SMD PTC thermistors for automobiles
U. Chip-type PTC thermistors
V. Glass seal type PTC thermistors resistant to temperatures up to 350°C for automobiles
W. Nano materials for SMD varistors of special specifications
X. Protective coatings for nano materials of SMD thermistors

ii. Industrial Overview

(1) Current Status and Developments

Thermistors, varistors, and temperature sensors produced and distributed by the Company are resistance-related elements as part of passive components. They are known for their unique features and applications in the population of passive electronic components and may be also classified as "protective components."

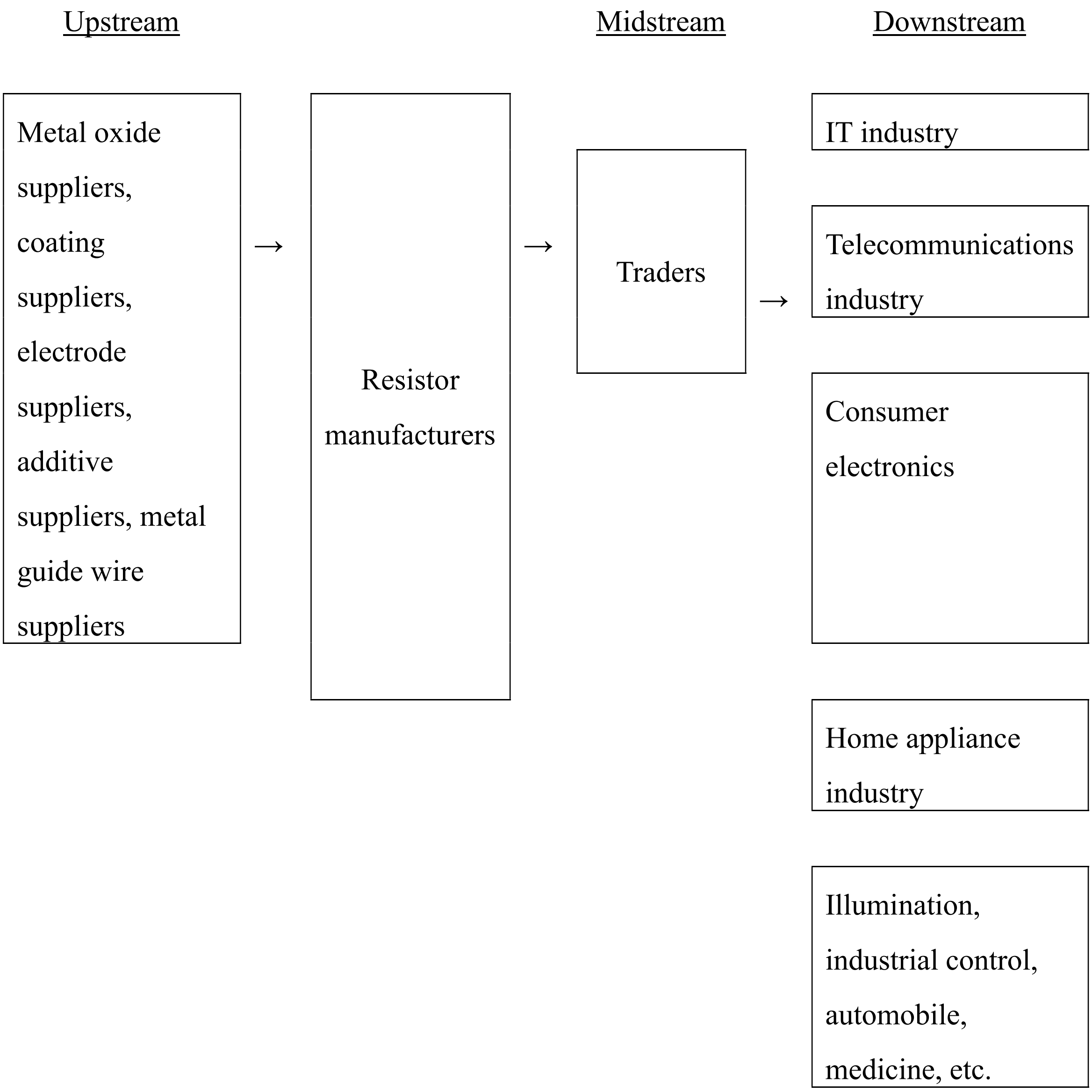
Protective components are widely applied to a variety of electronic products and provide adequate protection against risks that may arise during the operation of electronic products. As far as the function is concerned, they may be divided into over-current protection, over-voltage protection, temperature compensation, temperature detector and control. In terms of the installation method, on the other hand, there are products that vary in their appearance and dimension, such as plug-ins, surface mount devices, and integrated modules, etc.

The Company's products are quite widely applied in IT products (power supply devices, monitors, chargers, computer motherboards, notebook computers, netcom equipment, etc.), telecommunications equipment (mobile phones and telephone sets, machine room equipment, telecommunications base stations, optic fiber networks, etc.), large home appliances (TV sets, washers/dryers, refrigerators, dishwashers, air-conditioners, heaters, etc.), small home appliances (microwaves, water heaters, electronic pots, coffee makers, etc.), consumer electronics (smart speakers, Bluetooth earphones, music players, AV equipment, etc.), illumination equipment (LED indoor/outdoor and roadside illumination, energy-saving light stabilizers, etc.), industrial products (lightning protection products, inverters, servomotors, industrial controllers, contactors, actuators, digital meters, etc.), automobiles (carbody control such as engine temperature control and discharge feedback, reservoir temperature control and thermostatic air-conditioning, central locks/skylight/powered windows and automobile electronics such as travel information and instruments, and emerging EV battery packs, mechanical/electrical motors, car chargers, etc.), medicine (temperatures, glucose meters, drug cabinets, biochemistry test equipment, etc.), among others.

The Company is a specialist with an extended range of protective component product lines. With the flourishing market for electronic products, the business in the future is infinite.

(2) Correlation among Upstream, Mid-stream, and Downstream of the Industry

Primary products of the Company include NTC thermistors, PTC varistors, and zinc oxide varistors (MOV and MLV). The correlation among the upstream, mid-stream, and downstream formed for related raw materials and products is as follows:



(3) Developmental trends for a variety of products

Being light, thin, short, and small, digital, and high-speed transmission are the primary developmental trends of electronic products. Under such trends, it is also required to research and develop corresponding SMD (or surface mount device) products to meet the demand. The Company's SMD products include NTC thermistors, PTC varistors, and zinc oxide varistors (MLV) as well as ESD protectors. Given the effort to constantly reinforce product specifications, the demand of a majority of customers can be fulfilled. Examples include the low-voltage/low-capacitance surface mount surge absorbers that can meet the ESD needs of a variety of high-speed AV transmission electronic products, the SMD NTC thermistors that feature gradually reduced resistance as the temperature climbs and can quickly and precisely respond to temperature changes within the system in electronic products for which heat sink process is getting more and more important, and the SMD PTC varistors that feature drastic resistance difference as the temperature climbs to ensure more effective circuit control for the circuit design of customers.

Meanwhile, as the safety standards get stricter and stricter for electronic products and the demand of electronic products for temperature detection and control climbs each day, it is even more important to develop customized assembled temperature sensors with a thermistor at their core plus the sealing enclosure and various types of wires. High precision, high temperature resistance, high insulation/water-proof/dust-proof are the main trends in the development of temperature sensors.

In addition, given a changing global environment, where humans suffer more and more impacts from natural disasters and outdoor equipment or infrastructure electronic equipment such as outdoor street lights, telecommunication base stations and weather observatories, smart power grids, track traffic, solar power and wind power stations are under the threat of natural thunder strikes. As such, varistors and thermistors used in related equipment are being developed to have higher capacity, be smaller in size, and include composite features.

The exemplary shift from fueled vehicles to electric vehicles in a history of a hundred years further leads the Company's products into another brand new field. Under the regulations imposed by IATF-16949, AEC-Q, and VDA, among others, for the automobile industry regarding the quality system, product reliability, development and manufacturing process control, higher reliability and a longer life cycle are the major trends in the development of high-end products.

(4) Competition on the market

There are many manufacturers of thermistors and varistors around the world that vary in their business scale and also technical platform and market segmentation. As part of its long-term plan, the Company looks up to counterparts in Europe, America, and Japan such as Murata, TDK-Epocs, and Vishay in terms of technicality as they specialize differently in terms of product coverage and market segmentation.

As far as safety standards are concerned, besides safety certification of the passive components (such as UL, CSA, VDE, TUV, CQC, SGCC … etc) in respective countries, the models of machines where protective components are used need to be certified for their safety, too. Once certified, it is costly and time-consuming to replace passive components for the specific model. In other words, passive components are an industry with entry barriers. The Company, however, owns the competitive advantages with its long-term existence in the industry and thorough product safety specifications and quality to cover the comprehensive application needs of customers.

iii. Research and Development

(1) R&D expenses

R&D expenses spent in 2020: NTD 225,072 thousand.

R&D expenses spent as of the first quarter of 2021: NTD 67,924 thousand.

(2)Successfully developed technologies or products

A. SMD 0201 small-size NTC thermistors

B. SMD 0201 small-size PTC thermistors

C. Chips for high-precision medical treatment devices, including nucleic acid detection, infrared temperature sensors, and thermometers, etc.

D. High-reliability NTC Thermistor for automobile, including components for charging pile and lithium battery monitoring, etc., to expand the application of products.

E. SMD TSM 0201 soft cutting process glass protective layer products.

F. LCP small-size 0402 30V high-voltage products and their mass production

G. Preparations for mass production of SMD PTC thermistors (1.0 Ω and other low-resistance series)

H. PTC thermistors SMD 0603 low-resistance series (6.8Ω)

I. Preparations for development and mass production of certain TVM SMD 4B 6B series 5G high-pass varistors

J. Certain models of SMD 1206 high-pass varistors.

K. SMD 0806 high-pass varistors for LED, for which UL certification and mass production and shipment are also completed.

L. SMD 1210 high-pass varistors for LED illumination.

M. 2220 varistors resistant to 4500V and 125°C and their mass production

iv. Long-term and Short-term Development

(1) Short-term Development

To make the best of the economic scale and product advantages while securing the existing market; to adjust the portfolio and increase the weight of advantageous products in sales and to focus on benchmark markets and heavyweight customers to promote gross profits and business profits.

For the overseas market, besides direct service provided Grade A customers, continuous efforts are made to sign dealership or distribution contracts with partners and to utilize resources and connections available in respective geographical regions to provide products and services to regional Grade B customers and to broaden the overseas sales landscape of the Company.

(2) Mid-to-long-term Development

To deploy around the world with the complete portfolio, outstanding quality and service, and created brand image through the sound distribution network; to reach out to benchmark customers in developed countries in Europe, the US, and Japan and remain consistent in the developmental pace with that on the high-end market; to invest more business resources in new fields of application and keep the Company profitable; and to form a long-term supply-chain relationship with major customers to continue to maximize the market share of the Company’s products.

5.2 Overview of Market, Production, and Sales

i. Market Analysis

(1)Sales Area

The areas where the Company sells to and the net sales are provided below:

Unit: NTD Thousand

Sales Area \ Year		2020	
		Net sales	%
Export sales	Asia	4,481,839	75.70
	Europe	610,590	10.31
	Other	355,609	6.01
	Subtotal	5,448,038	92.02
Domestic sales		472,220	7.98
Total		5,920,258	100.00

(2)Market share

According to the market survey findings released by the US passive component market information analysis authority Paumanok, comparison of such findings versus the NTC shipment size of Thinking, it is inferred that the power NTC products of Thinking are definitely leading on the global market. By the same estimation, the plug-in varistors of Thinking also secure its Top 3 ranking on the global market. As far as the Asia is concerned, the Company is a steady leader on the market.

(3)Future supply and demand and growth on the market

The Company is one of the few specialists with a wide range of products that cover PTC and NTC thermistors, varistors, temperature sensors, and over-voltage protective components, among others. Its products are widely applied. As the electronic industry continues to boom, the future for the Company is promising in terms of prospective growths.

The following are descriptions about future growth potentials as far as the new markets targeted by the Company are concerned:

A. Automotive

As people get more and more aware about environmental protection and the attention of governments and the general public drawn to the air pollution caused by fueled vehicles, governments are adopting policies in favor of electric vehicles/banning fueled vehicles; this, accordingly, is driving the demand for electric vehicles. According to the estimates made by Morgan Stanley, by 2030, the sales of battery-powered (electric vehicles) will reach above 30% on the global market.

Deloitte has also clearly indicated in its market forecast that with a composite growth rate of 29% for the coming ten years, the sales of electric vehicles around the world will reach 31 million units in 2030. All of the above show the powerful and persistent growth potentials on the market for electric vehicles.

In addition, under the trends of automobile control turning electronic and self-driving, the number of electronic parts used in each electric vehicle will be higher than that in a vehicle by multiple folds. The dual driving force is pushing growths on the market. Generally speaking, the growths and prospects of automobile electronics and electric vehicles are both superior to traditional IT equipment, consumer electronics, and home appliances, among others, definitely making them the fastest-growing and long-lasting markets for the electronic industry at present.

B. Telecommunications

The telecommunications industry begins with the end-user equipment (mobile phones) and covers the access network's base transceiver station (BTS), the bearer network for optic communication, the machine rooms within the core network, marginal computing, and even satellite communication, among other equipment. While mainstream 5G mobile phones are being introduced to the market one after another and 5G service stations are being opened and operative in countries around the world, in addition to the O-RNA fad among operators for self-autonomy or for self-construction at the user end to realize IoT, the future is promising. According to the data from the 5G Industry and 5G Telecommunications Service Forum of the Market Intelligence & Consulting Institute (MIC), the number of 5G users around the world will grow from 190 million in 2020 to 330 million in 2021, showing a surge. Over the long term, developed industrial countries or underdeveloped regions, the demand for telecommunications will only grow; it never dies. This is a new market that requires excessive devotion given the slow growths in IT electronic equipment, consumer electronics, and home appliances over the long term. Moreover, according to the Company's experience in the power industry, 5G telecommunications, with features such as high frequency and short wavelength and their rigid demand for enhanced power density and efficiency, offer the best battlefield for the application of short, small, light, and thin products developed applying advanced technologies and for them to make the best of their performance.

C. Industrial and Medical/Health-care Electronics

Despite the slowed pace of the manufacturing industry caused by COVID-19, the trends for introduction of smart corporate manufacturing are not stopping. The market for smart manufacturing will accordingly resume its original growing pace. In addition, the pandemic has driven a surge in the demand for medical/health-care electronics, from temperature detection, respiration, and treatment and even biochemistry testing. All have shown explosive growths.

(4)Competitive niche and advantageous and disadvantageous factors for future developments and countermeasures

A. Favorable factors:

(a) Thorough products and extensive scope of application

The Company owns complete product lines that are non-comparable by a majority of counterparts, making the Company a trustworthy partner of all customers with their full support. Both the number of customers and the trading value are constantly growing.

(b) Steady long-term collaborators to maintain the most cost-effective economic scale

Due to the fact that the quality of the Company's products and services is highly trusted by customers, accumulatively, the Company has had many long-term partners, which is accordingly driving its production volumes to new heights constantly. Currently, NTC thermistors of the disc type already have the largest sales in the world. Varistors of the disc type, by the same token, are leading in the Greater China Region, too. The economic scale and cost advantages are sufficient to cope with competition.

(c) Sound Financial Standing

The Company is superior to counterparts in its financial structure, solvency, profitability, and cash flows, showing that the Company's financial standing is sound, which helps cope with the economic cycle and competition. In addition, the Company continues to introduce automated production equipment in order to bring down the production cost and constantly improves its competitively advantages on the market to keep its leading position in the industry.

B. Unfavorable factors:

(a) Price-cutting race remains

Despite the remaining differences in products and technologies of counterparts in the Greater China Region, the rise of the red supply chain has obviously impacted the legitimacy of prices on the market. In addition, internationally, to access the Mainland China market, quotation policies meant exclusively for Mainland China are being proactively adjusted, which is posing pressure on the Company, too.

(b) For the international market, due to the fact that counterparts in Europe, the US, and Japan have entered the local market earlier and built a relatively sound network for localized services, the Company is in an undesirable position now. Markets for automobiles, telecommunications, and healthcare have been spearheaded by the western world traditionally. Compared to counterparts in Europe, the US, and Japan, the Company is affected by its low publicity, which makes it relatively difficult for the Company to enter these markets.

C. Countermeasures:

(a) Reinforce automated product and enhance product yield rate to bring down the cost.

(b) Decentralize the market and explore new sources of customers to minimize the impacts on revenue from the Red Sea Market.

(c) Focus on high value-added products to bring up profits.

(d) Establish overseas dispatching warehouses and maximize collaboration with local dealers/distributors to be on par with international counterparts in terms of serviceability.

(e) Increase new products and take advantage of synergistic operational effects to maximize the scope of operation available for each customer and to increase the revenue.

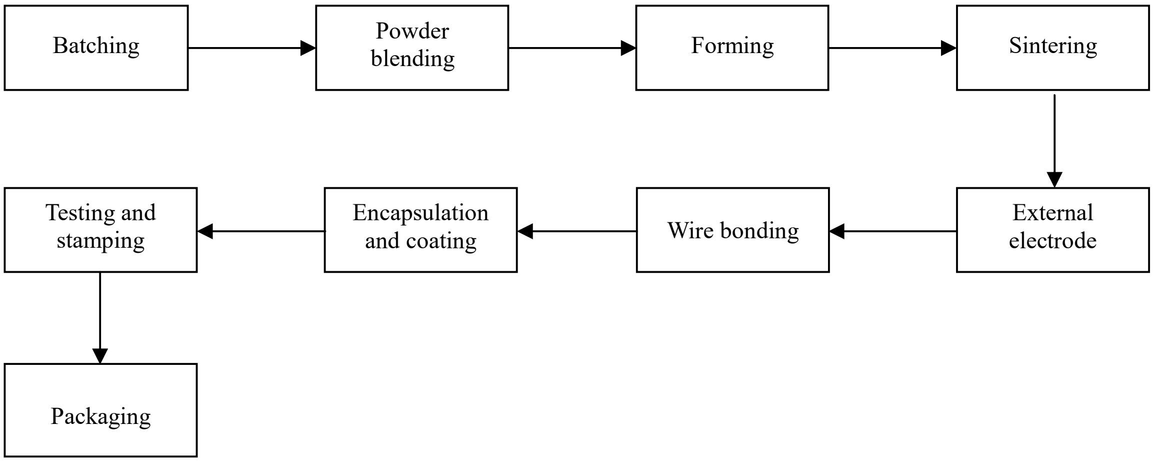
ii. Production Procedures of Main Products

(1) Major Products and Their Main Uses

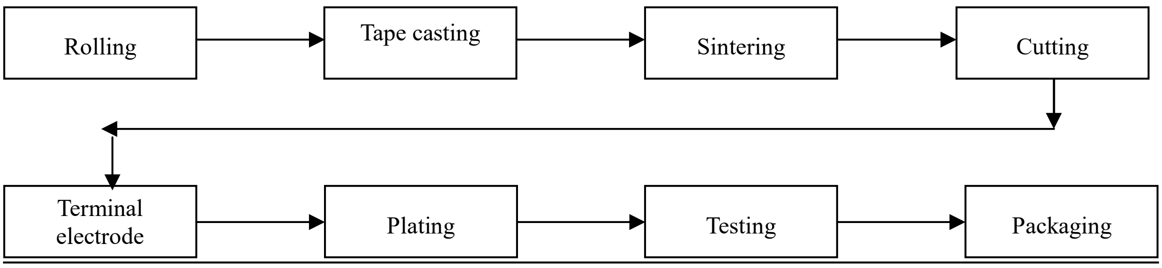
Main product	Item
Thermistor	A. Surge inhibition: Switching power supply, electric motors, transformers, among other electric equipment, create short-circuit current (surge) at the instant they are turned on and an NTC thermistor can effectively inhibit it. B. Temperature detection: A thermistor, known for its resistance value that will change obviously with temperature, can turn on the control loop; it is applied in electrical equipment such as air-conditioners, automobiles, refrigerators, and home appliances, PC products and mobile phones, mobile phone chargers, among other telecommunications equipment. C. Temperature compensation: The features of many electronic parts and components change with temperature. Therefore, a thermistor is needed for compensation purpose. It is applied to products such as dashboards, TV sets, radios, and transistors, among other products. D. Over-current protection: If excessive current occurs in a circuit, the circuit will be overheated. The resistance of a thermistor will be increased to inhibit the pass-through of such large current in order to protect the back-end circuit. It is applied in products such as home appliances, transformers, automobile powered windows, and mobile phone chargers, etc.
Varistor	A. Surge absorption: The resistance of a varistor will change according to the voltage applied onto it to absorb the surge current. It is applied to protect the IC, diode, transistor, relay, solenoid, and electronic devices such as consumer electronics, telecommunications, measurement, and electric controls. B. Static absorption: The resistance of a varistor will change according to the voltage applied onto it to guide the static out of vulnerable electronic loops. It is applied to electronic products such as mobile phones, wireless phones, chargers, notebook computers, and receivers, among others.

(2) Major Products and Their Production Processes

Manufacturing process flowchart for plug-in resistors



Manufacturing process flowchart for SMD resistors



iii. Supply Status of Main Materials

Primary raw materials for the Company are silver, manganese, cobalt, nickel, and copper, etc. All the partners are long-term collaborators and have been working closely under optimal partnerships. The quality of supply and lead time remain steady. Shortage or interruption is not a concern.

iv. List of main purchases and sales customers over the past two years

(1) Information of suppliers accounting for 10% or more of the overall purchases in any of the past two years: None.

(2) Information of customers accounting for 10% or more of the overall sales in any of the past two years: None.

v. Production in the Last Two Years

Unit: Thousand particles/NTD thousand

Year / Output / Major Products	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Protection Element	11,469,236	9,557,124	4,729,887	12,293,874	11,111,634	4,607,417
Other	73,202	64,232	185,522	73,202	65,827	152,809
Total	11,542,438	9,621,356	4,915,409	12,367,076	11,177,461	4,760,226

Note 1: For the other self-made equipment, it is measured by the unit.

Note 2: The throughput means the quantity that the Company may produce under normal operations after necessary downtime and holidays or days off, among other factors, are taken into consideration with the existing production equipment.

vi. Shipments and Sales in the Last Two Years

Unit: Thousand particles/NTD thousand

Year / Shipments & Sales / Major Products	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Protection Element	192,534	392,971	5,604,595	5,203,886	708,049	398,028	6,472,953	5,344,078
Other	38,339	70,552	62,592	146,823	50,262	74,192	63,163	103,960
Total	230,873	463,523	5,667,187	5,350,709	758,311	472,220	6,536,116	5,448,038

5.3 Human Resources

Year		2019	2020	2021 (as of March 31)
Number of Employees	Direct employees	2,165	2,504	2,699
	Indirect employees	1,360	1,651	1,584
	Total	3,525	4,155	4,283
Average Age		32.37	35.27	35.73
Average Years of Service		4.12	4.54	4.53
Education	Masters	2.16%	2.02%	2.03%
	University and College	24.85%	23.45%	22.28%
	Senior High School	30.16%	27.66%	27.39%
	Below Senior High School	42.83%	46.87%	48.30%

5.4 Environmental Protection Expenditure

i. Total Losses

The Company did not suffer losses or punishments by the environmental protection authority due to environmental pollution incidents.

ii. Countermeasures

Under the respective environmental protection requirements and self-control requirements of the government, expenditure on safety and environmental protection includes operational maintenance of pollution prevention and control equipment, related treatment of waste, environmental monitoring, and educational training, among other fixed entries. In addition, technically capable, the Company gradually sets aside budget to add or improve related equipment and update its permits for waste water, waste, and air pollution adequately as needed in order to be compliant with regulatory requirements. In 2020, the budget devoted for related improvements came to NTD 5,884 thousand and in 2021, the expected budget to be devoted will be NTD 5,500 thousand for continued improvements such as recycling, re-processing, and reutilization of process waste water, reduced consumption of water resource, and reduction of waste water and waste, among others.

5.5 Labor Relations

i. Employee Welfare

The Company has set up the Employee Welfare Committee to hold various cultural and entertainment events frequently and to address respective benefits. Primary welfare measures for employees and their implementation status are provided below.

(1) Distribution of year-end bonus and dividends as bonus to employees.
(2) Mandatory enrollment in Labor Insurance and National Health Insurance coverage for all employees and group insurance coverage for employees (paid by the Company).
(3) Enforcement of employee pension regulations to ensure appropriation of funds for the pension under new or old system.
(4) Uniforms, personal locker rooms, and pantry room equipped with food steamers, refrigerators, among others, for employees.
(5) Adequate condolences upon occupational injuries or casualties and emergency aids.
(6) Leave for weddings, funerals, and celebrations as required by the Labor Standards Act plus gift money, among other benefits.
(7) Periodic annual employee health check-ups.
(8) Festival gift certificates (Chinese New Year, Labor Day, Dragon Boat Festival, Moon Festival, and birthday) and employee gatherings over meals from time to time and year-end lot-drawing party.
(9) Domestic and international travels for employees plus various networking events from time to time (mountain climbing, hiking, BBQ, movie watching, etc.).

The welfare measures mentioned above are being implemented desirably now and in the future, will be adequately modified reflective of changes made to laws and regulations, social condition, and the operational status of the Company.

ii. Continuing education and training for employees:

To meet the operational needs of the Company, employees involved in tasks with an effect on the quality are provided with adequate training to reinforce their environmental safety awareness and related skills in order to improve their awareness of high quality, environmental protection, and professional skills and to fulfill the purpose of inter-coordination for enhanced efficiency at work so that the overall operational goals of the Company may be accomplished. For the Company's educational training, depending on the organizer, there are internal and external ones. They are categorized as follows:

(1) Training for new hires: The pre-service professional training covers an overview of the Company and the department they are working for.
(2) Departmental internal training: Departments hold educational training to communicate revisions made to applicable regulations and environmental protection requirements and the operating procedures.
(3) External professional training: When practically needed, departments may assign people to receive external training to help advance their professionalism at work or to help them acquire the second skill and get certified.
(4) In-service training: For training that is closely related to the current task at work or to the developments of the Company in the future, once approved by the Company, the costs will be reimbursed according to the years in service.

iii. Retirement System and Its Implementation

The Company has established Labor Pension Regulations in accordance with applicable requirements of the Labor Standards Act and sets aside 2% from the salary each month following actuarial calculations to be the pension fund that is deposited in a designated account. For the payment of the pension fund, the calculations are based on the requirements of the foregoing Labor Pension Regulations.

The Company has been inquiring employees for their inclination under the Labor Pension Act of the Labor Insurance Bureau of the Executive Yuan since July 2005. Those who chose to apply the retirement system under the Labor Pension Act, 6% of their salary is set aside on a monthly basis to their personal pension account with the Labor Insurance Bureau.

iv. Policy on employees' behavior, ethical principles, and occupational ethics

In order to improve the behavior, attainment, and professional ethics of all employees, the Company has established the Work Rules and employees need to sign the "Employment Contract" and the "Ethical Corporate Management and Integrity Letter of Undertaking" upon reporting to work to govern against violations of laws and regulations or occupation, theft, destruction of the Company's properties or disclosure of the Company's secrets, incomplete handover, acceptance of briberies, and other behavior that results on losses borne by the Company during employment. Examples include:

(1) R&D staff, depending on the confidentiality of their tasks, sign the Employee Confidentiality Agreement.

(2) The Computer Data Processing Guidelines are established to ensure control over the flows and security of information of the Company.

(3) The Gift Management Regulations are established to facilitate centralized utilization of the gifts given to the Company by contractors and customers; acceptance of such gifts by individual employees is prohibited.

(4) The Regulations to Prevent and Control Sexual Harassment Prevention and to Ensure Gender Equity at Work are established to protect the Company and its affiliated workplaces against sexual harassment.

(5) Policy on professional ethics:

A. Ethical corporate management.

B. Insider trading banned.

C. No engagement in activities against the Company's interests.

D. Honest and thorough documentation.

E. Proper giveaways or receptions; no bribery or corruption is allowed.

F. Confidentiality required for each of the materials whose ownership belongs to the Company.

G. Respect for intellectual property rights.

v. Labor policy as part of corporate social responsibilities

(1) No hiring of someone less than 16 years old or forcing of employees to perform tasks against their will.

(2) No discrimination against or differential treatment of any employee or job seeker because of his/her race, class, language, thought, religion, partisanship, nationality, birthplace, gender, sexual orientation, age, marriage, appearance, five senses, disability, constellation, blood type, or prior union membership.

(3) Respect and protection of employees' basic human rights protected by the Constitution such as freedom of speech, assembly, and association, etc.

(4) Compliance with applicable labor laws and regulations and applicable customer regulations.

vi. Rewards and penalties for employees

To ensure that its employees act properly and with discipline and to inspire them to make the best of what they have learned and their skills, the Company has established related rewards and penalties systems governing their conduct. They are meant to protect the rights of employees at work, make sure that they fulfill their duties at work, and promote efficiency and morale at work. Examples include:

(1) The Regulations Governing Rewards for Employees with Outstanding Annual Performance are established to help screen workers who are role models and those with outstanding performance and recognize their achievements.

(2) The Proposal Submission Regulations are established and prizes are issued reflective of the efficacy of the submitted proposals.

vii. Labor-management agreement:

The Company has always believed in "Labor and Management as One" and "Co-existence and Co-prosperity" and has been instilling the belief in its employees so that they share the same consensus on corporate sustainability and long-term development. Meanwhile, difficulties and problems facing the Company are adequately clarified and the Company's stance and decision are conveyed so that both employees and the employer are treated equally. In addition, there are the labor-management meeting, email, and employee feedback box in place to maintain optimal communications and interactions at all times for steady and harmonious labor-management relations.

viii. Losses suffered by the Company due to labor-management disputes in the past year up to the date the Annual Report was printed and estimated values now and likely incurred in the future and countermeasures: None.

5.6 Material Contracts

Contract Type	Counterparty	Period	Major Contents	Restrictions
Lease	Administration of Export Processing Zones under the Ministry of Economic Affairs	6/1/2016-5/31/2026	Lease of land	-
Lease	Administration of Export Processing Zones under the Ministry of Economic Affairs	8/1/2016-7/31/2025	Lease of land	-
Lease	Administration of Export Processing Zones under the Ministry of Economic Affairs	11/1/2020-10/31/2030	Lease of land	-

VI. Financial Information

6.1 Financial Summary for the Past Five Fiscal Years

i. Condensed Balance Sheet and Comprehensive Income Statement - Based on IFRS

(1) Consolidated Financial Information

A. Condensed Balance Sheet

Unit: NTD Thousand

Item \ Year		Financial Summary for the Past Five Fiscal Years					Financial summary as of March 31,2020
		2016	2017	2018	2019	2020	
Current assets		5,167,701	5,414,274	5,699,845	6,067,809	8,084,389	8,372,775
Property, plant and equipment		1,690,634	1,790,075	2,023,901	2,031,402	2,174,967	2,182,250
Intangible assets		1,140	19,183	34,354	44,884	43,982	46,060
Other assets		471,280	433,685	487,847	606,420	727,322	787,328
Total assets		7,330,755	7,657,217	8,245,947	8,750,515	11,030,660	11,388,413
Current liabilities	Before distribution	1,678,455	1,329,133	1,341,602	1,254,736	2,051,426	1,943,892
	After distribution	2,101,227	1,841,584	1,828,430	1,792,809	(Note)	Undistributed
Non-current liabilities		616,376	672,611	844,587	980,796	1,534,447	1,615,600
Total liabilities	Before distribution	2,294,831	2,001,744	2,186,189	2,235,532	3,585,873	3,559,492
	After distribution	2,717,603	2,514,195	2,673,017	2,773,605	(Note)	Undistributed
Equity attributable owners of the company		4,891,898	5,515,746	5,915,834	6,371,393	7,305,365	7,689,227
Ordinary shares		1,281,127	1,281,127	1,281,127	1,281,127	1,281,127	1,281,127
Capital surplus		348,263	348,263	348,263	348,263	348,263	348,263
Retained earnings	Before distribution	3,264,691	3,924,721	4,394,071	5,026,658	5,877,411	6,284,485
	After distribution	2,841,919	3,412,270	3,907,243	4,488,585	(Note)	Undistributed
Other equities		(2,183)	(38,365)	(107,627)	(284,655)	(201,436)	(224,648)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		144,026	139,727	143,924	143,590	139,422	139,694
Total equity	Before distribution	5,035,924	5,655,473	6,059,758	6,514,983	7,444,787	7,828,921
	After distribution	4,613,152	5,143,022	5,572,930	5,976,910	(Note)	Undistributed

Note: The distribution of earnings from 2020 is yet to be decided during the shareholders' meeting.

B. Condensed Statements of Comprehensive Income

Unit: NTD Thousand

Item \ Year	Financial Summary for the Past Five Fiscal Years					Financial summary as of March 31,2020
	2016	2017	2018	2019	2020	
Operating revenue, net	5,408,161	5,826,763	6,019,949	5,814,232	5,920,258	1,758,867
Gross profit	1,678,739	2,052,348	2,241,160	2,340,329	2,714,605	779,741
Profit from operations	994,295	1,238,998	1,385,035	1,448,901	1,843,142	527,905
Non-operating income and expenses	224,727	247,988	124,043	64,786	24,191	24,016
Profit before income tax	1,219,022	1,486,986	1,509,078	1,513,687	1,867,333	551,921
Net profit	892,315	1,080,491	988,628	1,115,265	1,380,603	407,346
Other comprehensive income (loss), net of tax	(273,930)	(38,170)	(70,745)	(173,212)	87,274	(23,212)
Total comprehensive income	618,385	1,042,321	917,883	942,053	1,467,877	384,134
Net profit attributable to:						
Owners of the company	900,553	1,084,535	982,766	1,115,990	1,385,016	407,074
Non-controlling interests	(8,238)	(4,044)	5,862	(725)	(4,413)	272
Total comprehensive income (loss) attributable to:						
Owners of the company	626,540	1,046,620	912,539	942,387	1,472,045	383,862
Non-controlling interests	(8,155)	(4,299)	5,344	(334)	(4,168)	272
Earnings per Share	7.03	8.47	7.67	8.71	10.81	3.18

(2) Parent company only financial information

A. Condensed Balance Sheet

Unit: NTD Thousand

Item \ Year		Financial Summary for the Past Five Fiscal Years				
		2016	2017	2018	2019	2020
Current assets		1,921,626	2,044,408	2,375,389	2,202,968	2,943,972
Investments accounted for using the equity method		3,991,563	4,288,588	4,920,689	5,397,746	6,434,738
Property, plant and equipment		394,833	470,524	527,117	544,596	613,528
Intangible Assets		601	18,566	33,924	30,795	28,359
Other assets		99,506	74,124	103,441	240,433	286,537
Total assets		6,408,129	6,896,210	7,960,560	8,416,538	10,307,134
Current liabilities	Before distribution	925,224	735,244	1,231,766	1,134,157	1,555,581
	After distribution	1,347,996	1,247,695	1,718,594	1,672,230	(Note)
Non-current liabilities		591,007	645,220	812,960	910,988	1,446,188
Total liabilities	Before distribution	1,516,231	1,380,464	2,044,726	2,045,145	3,001,769
	After distribution	1,939,003	1,892,915	2,531,554	2,583,218	(Note)
Ordinary shares		1,281,127	1,281,127	1,281,127	1,281,127	1,281,127
Capital surplus		348,263	348,263	348,263	348,263	348,263
Retained earnings	Before distribution	3,264,691	3,924,721	4,394,071	5,026,658	5,877,411
	After distribution	2,841,919	3,412,270	3,907,243	4,488,585	(Note)
Other equities		(2,183)	(38,365)	(107,627)	(284,655)	(201,436)
Treasury shares		-	-	-	-	-
Total equity	Before distribution	4,891,898	5,515,746	5,915,834	6,371,393	7,305,365
	After distribution	4,469,126	5,003,295	5,429,006	5,833,320	(Note)

Note: The distribution of earnings from 2020 is yet to be decided during the shareholders' meeting.

B. Condensed Statements of Comprehensive Income

Unit: NTD Thousand

Item \ Year	Financial Summary for the Past Five Fiscal Years				
	2016	2017	2018	2019	2020
Operating revenue, net	3,136,433	3,322,054	3,356,678	3,137,848	3,219,942
Gross profit (Note)	765,592	963,437	1,040,704	1,052,791	1,178,182
Profit from operations	446,001	630,077	687,231	703,425	789,521
Non-operating income and expenses	663,252	707,914	687,936	697,022	933,245
Profit before income tax	1,109,253	1,337,991	1,375,167	1,400,447	1,722,766
Net profit	900,553	1,084,535	982,766	1,115,990	1,385,016
Other comprehensive income (loss), net of tax	(274,013)	(37,915)	(70,227)	(173,603)	87,029
Total comprehensive income	626,540	1,046,620	912,539	942,387	1,472,045
Earnings per Share	7.03	8.47	7.67	8.71	10.81

Note: The operating gross profit does not include realized (unrealized) gross profit from sales.

ii. Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2016	Deloitte & Touche	Gong Chun-Chi (Note), Chen Chen-Li	Unqualified opinion
2017	Deloitte & Touche	Gong Chun-Chi, Chen Chen-Li	Unqualified opinion
2018	Deloitte & Touche	Gong Chun-Chi, Chen Chen-Li	Unqualified opinion
2019	Deloitte & Touche	Chiang Jia-Ling (Note), Wu Chiu-Yen (Note)	Unqualified opinion plus the paragraph containing matters to be emphasized
2020	Deloitte & Touche	Chiang Jia-Ling, Wu Chiu-Yen	Unqualified opinion

Note: The CPAs were replaced to go with the internal adjustment of the accounting firm to meet business demand.

6.2 Financial Analysis for the Past Five Fiscal Years

i. Consolidated Financial Analysis – Based on IFRS

Analytical item (Note 1) \ Year		Financial Analysis for the Past Five Fiscal Years					As of March 31,2020
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	31.30	26.14	26.51	25.54	32.50	31.25
	Ratio of long-term funds to property, plant and equipment	334.33	353.50	340.98	368.99	412.84	432.78
Solvency (%)	Current ratio	307.88	407.35	423.83	483.59	394.08	430.72
	Quick ratio	241.48	325.90	345.05	412.38	328.68	356.91
	Time interest earned	608.38	523.85	383.33	300.14	206.17	168.35
Operating performance	Accounts receivable turnover (times)	3.11	3.02	2.93	2.82	2.64	2.89
	Average collection period	117.36	120.86	124.57	129.43	138.25	126.29
	Inventory turnover (times)	3.75	3.78	3.89	3.89	3.06	3.00
	Accounts payable turnover (times)	6.10	6.08	6.01	5.94	5.43	6.28
	Average sales days	97.33	96.56	93.83	93.83	119.28	121.66
	Property, plant and equipment turnover (times)	3.59	3.34	3.15	2.86	2.81	3.22
	Total assets turnover (times)	0.78	0.77	0.75	0.68	0.59	0.62
Profitability	Return on assets (%)	12.99	14.44	12.47	13.17	14.03	14.62
	Return on equity (%)	18.25	20.21	16.87	17.73	19.77	21.33
	Profit before income tax to paid-in capital (%)	95.15	116.06	117.79	118.15	145.75	172.32
	Net profit ratio (%)	16.49	18.54	16.42	19.18	23.31	23.15
	Earnings per share ($)	7.03	8.47	7.67	8.71	10.81	3.18
Cash flows	Cash flow ratio (%)	58.68	82.78	99.93	131.23	65.46	61.58
	Cash flow adequacy ratio (%)	122.12	114.74	111.12	126.22	114.99	124.44
	Cash flow reinvestment ratio (%)	9.26	7.61	10.01	12.88	7.53	2.67
Leverage	Operating leverage	1.78	1.82	1.76	1.78	1.59	1.67
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Reasons for the changes in respective financial ratios over the past two years (with a change rate of 20% and above) 1. The debt ratio increased, the quick ratio dropped, and the cash flow ratio dropped mainly because of the increased borrowings for the year. 2. Time interest earned dropped mainly because of the additional borrowings for the current term; the expenses on interest hence increased. 3. The inventory turnover ratio decreased, the average sales days increased mainly because of the user-end demand remaining high and the increase in the inventories due to materials prepared by the Company. 4. The profit before income tax to paid-in capital increased, the net profit ratio increased, and the earnings per share increased mainly because of the growths in profitability for the current term. 5. The cash flow reinvestment ratio dropped mainly because of the increase in the working capital.

Note 1: Calculations for this table are provided below

1. Financial structure
   (1) Debt ratio = total liabilities / total assets
   (2) Ratio of long-term funds to property, plant and equipment = (total equities + non-current liabilities) / net value of property, plant and equipment
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets-inventory-prepaid expense) / current liabilities
   (3) Time interest earned = profit before interest and tax / interest expenses
3. Operating performance
   (1) Accounts receivable (including accounts receivable and receivable notes from operations) turnover = net sales / average receivables (including accounts receivable and receivable notes from operations)
   (2) Average collection period = 365 / accounts receivable turnover
   (3) Inventory turnover = cost of goods sold / average inventory
   (4) Accounts payables (including accounts payable and payable notes from operations) turnover = cost of goods sold / average payables (including accounts payable and payable notes from operations)
   (5) Average sales days = 365 / inventory turnover
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
   (7) Total asset turnover = net sales / average total assets
4. Profitability
   (1) Return on assets = [net profit + interest expenses (1- tax rate)] / average total assets
   (2) Return on equity = net profit / average net shareholder's equity
   (3) Net profit ratio = net profit / net sales
   (4) Earnings per share = (profits or losses that belong to the owner of the parent company － Preferred stock dividend)/weighted average number of issued shares (Note 2)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities
   (2) Cash flow adequacy ratio = net cash flow from operating activities over the past five years / (capital expenditure + increase in inventory + cash dividend) over the past five years.
   (3) Cash flow reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross value of property, plant, and equipment + long-term investment + other non-current assets + working capital) (Note 3)
6. Leverage
   (1) Operating leverage = (net operating revenue - variable operating costs and expenses)/Operating profit (Note 4)
   (2) Financial leverage = operating profit/(operating profit - interest expenses)

Note 2: Special attention shall be paid to the following while weighing over the equation used to calculate the earnings per share:

1. The basis is the weighted average number of common stock shares, not the number of shares already issued as of the end of the year.
2. In case of capital increase in cash or trading of treasury stock shares, the circulation period shall be taken into consideration while the weighted average number of shares is being calculated.
3. In case of earnings transferred capital increase or capital surplus transferred capital increase, in the calculation of the earnings per share for prior years and the half-year earnings per share, adjustments shall be made retroactively according to the capital increase ratio; there is no need to consider the duration of issuance for the said capital increase.
4. If the preferred stock is a non-convertible accumulated preferred stock, the dividends for the year (distributed or not) shall be subtracted from the after-tax net profit or the after-tax net loss shall be increased. If the preferred stock is not accumulated in nature, with after-tax net profit, the dividends of the preferred stock shall be subtracted from the after-tax net profit; no such adjustment is needed in cases of deficits.

Note 3: Special attention shall be paid to the following while weighing over the cash flow analysis:

1. Net cash flows of operating activities refer to the net cash inflows from operating activities as shown in the Cash Flow Statement.
2. Capital expenditure refers to the cash out-flows for capital investment each year.
3. Increased inventories are only counted when the balance at end of term is greater than that at start of term; if inventories drop at the end of the year, they shall count as 0.
4. Cash dividends include those of common stock and preferred stock combined.
5. Gross value of property, plant, and equipment refers to the total value of property, plant, and equipment before accumulated depreciation is subtracted.

Note 4: Issuers shall divide each operating cost and operating expenditure into fixed and variable. If estimation or subjective judgment is involved, attention shall be paid to the legitimacy and remain consistent.

ii. Parent Company only Financial Analysis – Based on IFRS

Analytical item (Note 1) \ Year		Financial Analysis for the Past Five Fiscal Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio	23.66	20.01	25.68	24.29	29.12
	Ratio of long-term funds to property, plant and equipment	1,388.66	1,309.38	1,276.50	1,337.20	1,426.43
Solvency (%)	Current ratio	207.69	278.05	192.82	194.23	189.25
	Quick ratio	167.96	242.21	158.58	163.08	174.75
	Time interest earned	604.83	513.05	770.10	810.97	793.44
Operating performance	Accounts receivable turnover (times)	3.28	3.27	3.27	3.18	3.12
	Average collection period	111.28	111.62	111.62	114.77	116.98
	Inventory turnover (times)	6.46	8.12	7.21	5.72	7.71
	Accounts payable turnover (times)	5.11	5.60	5.15	4.41	4.00
	Average sales days	56.50	44.95	50.62	63.81	47.34
	Property, plant and equipment turnover (times)	8.83	7.67	6.72	5.85	5.56
	Total assets turnover (times)	0.51	0.49	0.45	0.38	0.34
Profitability	Return on assets (%)	14.70	16.33	13.24	13.64	14.81
	Return on equity (%)	19.00	20.84	17.19	18.16	20.25
	Profit before income tax to paid-in capital (%)	86.58	104.43	107.34	109.31	134.47
	Net profit ratio (%)	28.71	32.64	29.27	35.56	43.01
	Earnings per share ($)	7.03	8.47	7.67	8.71	10.81
Cash flows	Cash flow ratio (%)	52.87	66.34	75.21	50.29	52.08
	Cash flow adequacy ratio (%)	122.51	98.21	111.14	106.02	108.09
	Cash flow reinvestment ratio (%)	2.85	0.98	5.72	1.06	2.90
Leverage	Operating leverage	1.47	1.37	1.46	1.43	1.34
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for the changes in respective financial ratios over the past two years (with a change rate of 20% and above) 1. The inventory turnover increased, the average sales days dropped mainly because of the decrease in the mean inventory for the current term. 2. The profit before income tax to paid-in capital increased, the net profit ratio increased, and the earnings per share increased mainly because of the growths in profitability for the current term. 3. Cash flow reinvestment ratio increased mainly because of the growth in profitability for the current term and the increase net cash inflows from operating activities.

Note 1: Calculations for this table are provided below

1. Financial structure
   (1) Debt ratio = total liabilities / total assets
   (2) Ratio of long-term funds to property, plant and equipment = (total equities + non-current liabilities) / net value of property, plant and equipment
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets-inventory-prepaid expense) / current liabilities
   (3) Time interest earned = profit before interest and tax / interest expenses
3. Operating performance
   (1) Accounts receivable (including accounts receivable and receivable notes from operations) turnover = net sales / average receivables (including accounts receivable and receivable notes from operations)
   (2) Average collection period = 365 / accounts receivable turnover
   (3) Inventory turnover = cost of goods sold / average inventory
   (4) Accounts payables (including accounts payable and payable notes from operations) turnover = cost of goods sold / average payables (including accounts payable and payable notes from operations)
   (5) Average sales days = 365 / inventory turnover
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
   (7) Total asset turnover = net sales / average total assets
4. Profitability
   (1) Return on assets = [net profit + interest expenses (1- tax rate)] / average total assets
   (2) Return on equity = net profit / average net shareholder's equity
   (3) Net profit ratio = net profit / net sales
   (4) Earnings per share = (profits or losses that belong to the owner of the parent company － Preferred stock dividend)/weighted average number of issued shares (Note 2)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities
   (2) Cash flow adequacy ratio = net cash flow from operating activities over the past five years / (capital expenditure + increase in inventory + cash dividend) over the past five years.
   (3) Cash flow reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross value of property, plant, and equipment + long-term investment + other non-current assets + working capital) (Note 3)
6. Leverage
   (1) Operating leverage = (net operating revenue - variable operating costs and expenses)/Operating profit (Note 4)
   (2) Financial leverage = operating profit/(operating profit - interest expenses)

Note 2: Special attention shall be paid to the following while weighing over the equation used to calculate the earnings per share:

1. The basis is the weighted average number of common stock shares, not the number of shares already issued as of the end of the year.
2. In case of capital increase in cash or trading of treasury stock shares, the circulation period shall be taken into consideration while the weighted average number of shares is being calculated.
3. In case of earnings transferred capital increase or capital surplus transferred capital increase, in the calculation of the earnings per share for prior years and the half-year earnings per share, adjustments shall be made retroactively according to the capital increase ratio; there is no need to consider the duration of issuance for the said capital increase.
4. If the preferred stock is a non-convertible accumulated preferred stock, the dividends for the year (distributed or not) shall be subtracted from the after-tax net profit or the after-tax net loss shall be increased. If the preferred stock is not accumulated in nature, with after-tax net profit, the dividends of the preferred stock shall be subtracted from the after-tax net profit; no such adjustment is needed in cases of deficits.

Note 3: Special attention shall be paid to the following while weighing over the cash flow analysis:

1. Net cash flows of operating activities refer to the net cash inflows from operating activities as shown in the Cash Flow Statement.
2. Capital expenditure refers to the cash out-flows for capital investment each year.
3. Increased inventories are only counted when the balance at end of term is greater than that at start of term; if inventories drop at the end of the year, they shall count as 0.
4. Cash dividends include those of common stock and preferred stock combined.
5. Gross value of property, plant, and equipment refers to the total value of property, plant, and equipment before accumulated depreciation is subtracted.

Note 4: Issuers shall divide each operating cost and operating expenditure into fixed and variable. If estimation or subjective judgment is involved, attention shall be paid to the legitimacy and remain consistent.

6.3 Audit Committee's Review Report on the Most Recent Fiscal Year:

Audit Committee's Review Report

The Board of Directors was approved to
prepare the Company's 2020 business report, financial statements (including parent company only and consolidated financial statements) and earnings distribution plan, in which the financial statements have been audited by Chiang Jia-Ling, CPA and Wu Chiu-Yen, CPA of Deloitte & Touche, who also issued the audit report accordingly. After reviewing said business report, financial statements, and earnings distribution plan, we consider that they comply with relevant statutes or regulations in all respects. Therefore, we issue this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review it accordingly..

To

General Annual Meeting 2021

Thinking Electronic Industrial Co., Ltd.

Convener of Audit Committee: Chen, Hsiu-Yen 陳秀妍

March 22, 2021

6.4 Financial Statements for the Most Recent Fiscal Year: Refer to Pages 118-184 through for details.

6.5 Parent Company Only Financial Statements Audited by Independent Auditors for the Most Recent Fiscal Year: Refer to Pages 185-262 through for details.

6.6 The Impact of Financial Difficulties of the Company and its Affiliates: None.

Thinking Electronic Industrial Company Limited and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates as of and for the year ended December 31, 2020, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards 10 "Consolidated Financial Statements". In addition, the information required to be disclosed in the consolidated financial statements has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Thinking Electronic Industrial Co., Ltd. and subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Thinking Electronic Industrial Co., Ltd.

By

____

Sui Tai-Chung
Chairman

March 22, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Thinking Electronic Industrial Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is discussed as follows:

Recognition of revenue from specific product

The Group's principal business is manufacturing and selling of passive components. The Group recognized net sales of NT$5,920,085 thousand for the year ended December 31, 2020, and revenue from specific product had significantly increased than previous year. Therefore, the occurrence of sales of specific product is considered as a key audit matter. For the accounting policy on revenue recognition, refer to Note 4 (l) to the parent company only financial statements .

Our main audit procedures performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the internal control on revenue recognition and tested the operating effectiveness of the control.

2. We selected samples from the sales ledger and inspected the delivery documents and receipt vouchers and validated the occurrence of sales of specific product.

3. We verified that the revenue amounts recognized in the sales ledger were the same as those data recorded in the accounts receivable ledger.

Other Matter

We have also audited the parent company only financial statements of the Company for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion and unmodified opinion with emphasis of matter paragraph, respectively.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

<u>*Notice to Readers*</u>

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

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	December 31, 2020		December 31, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,505,348	23	$ 1,774,594	20
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,582,073	14	1,239,151	14
Financial assets at amortized cost - current (Notes 4 and 8)	-	-	55,029	1
Notes receivable (Notes 10 and 31)	588,283	5	387,839	5
Accounts receivable, net (Notes 4, 5 and 10)	1,844,020	17	1,658,714	19
Other receivables	32,870	-	22,530	-
Current tax assets (Notes 4 and 25)	24,136	-	580	-
Inventories (Notes 4, 5 and 11)	1,266,112	12	822,298	9
Other financial assets - current (Notes 12 and 31)	158,349	1	28,196	-
Other current assets	83,198	1	78,878	1
Total current assets	8,084,389	73	6,067,809	69
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	39,481	-	26,918	-
Financial assets measured at amortized cost - non-current (Notes 4 and 8)	87,206	1	-	-
Property, plant and equipment (Notes 4, 14, 31 and 32)	2,174,967	20	2,031,402	23
Right-of-use assets (Notes 4 and 15)	253,744	2	259,781	3
Investment properties (Notes 4 and 16)	52,910	1	58,804	1
Other intangible assets (Note 4)	43,982	1	44,884	1
Deferred tax assets (Notes 4 and 25)	137,992	1	132,248	2
Prepayments for equipment	92,947	1	75,731	1
Net defined benefit assets (Notes 4 and 21)	7,930	-	1,515	-
Other financial assets - non-current (Notes 12 and 31)	38,092	-	34,628	-
Other non-current assets	17,020	-	16,795	-
Total non-current assets	2,946,271	27	2,682,706	31
TOTAL	$ 11,030,660	100	$ 8,750,515	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 17 and 31)	$ 505,809	5	$ 104,302	1
Notes payable (Note 18)	195,865	2	158,479	2
Accounts payable (Note 18)	449,921	4	375,274	5
Other payables (Note 19)	550,358	5	427,248	5
Other payables to related parties (Note 30)	485	-	142	-
Current tax liabilities (Notes 4 and 25)	135,401	1	106,565	1
Lease liabilities - current (Notes 4 and 15)	31,487	-	24,851	-
Refund liabilities (Notes 4 and 20)	170,979	2	47,717	1
Other current liabilities (Notes 4 and 27)	11,121	-	10,158	-
Total current liabilities	2,051,426	19	1,254,736	15
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 17)	339,671	3	-	-
Deferred tax liabilities (Notes 4 and 25)	1,074,907	10	870,579	10
Lease liabilities - non-current (Notes 4 and 15)	92,661	1	88,198	1
Deferred revenue (Notes 4 and 27)	20,942	-	14,341	-
Guarantee deposits received	1,091	-	2,503	-
Other non-current liabilities	5,175	-	5,175	-
Total non-current liabilities	1,534,447	14	980,796	11
Total liabilities	3,585,873	33	2,235,532	26
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)				
Ordinary shares	1,281,127	12	1,281,127	15
Capital surplus	348,263	3	348,263	4
Retained earnings				
Legal reserve	1,020,206	9	908,264	10
Special reserve	284,655	3	107,627	1
Unappropriated earnings	4,572,550	41	4,010,767	46
Total retained earnings	5,877,411	53	5,026,658	57
Other equity	(201,436)	(2)	(284,655)	(3)
Total equity attributable owners of the Company	7,305,365	66	6,371,393	73
NON-CONTROLLING INTERESTS (Notes 4 and 22)	139,422	1	143,590	1
Total equity	7,444,787	67	6,514,983	74
TOTAL	$ 11,030,660	100	$ 8,750,515	100

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 23)				
Sales	$ 6,080,461	103	$ 5,887,253	101
Less: Sales returns and allowances	160,203	3	73,021	1
Operating revenue, net	5,920,258	100	5,814,232	100
OPERATING COSTS (Notes 11, 24 and 30)	3,205,653	54	3,473,903	60
GROSS PROFIT	2,714,605	46	2,340,329	40
OPERATING EXPENSES (Notes 4, 10, 24 and 30)				
Selling and marketing expenses	223,193	4	233,549	4
General and administrative expenses	421,329	7	455,203	8
Research and development expenses	225,072	4	199,013	3
Expected credit loss	1,869	-	3,663	-
Total operating expenses	871,463	15	891,428	15
PROFIT FROM OPERATIONS	1,843,142	31	1,448,901	25
NON-OPERATING INCOME AND EXPENSES (Notes 24, 27 and 30)				
Interest income	78,714	2	63,610	1
Other income	69,261	1	44,902	1
Other gains and losses	(114,683)	(2)	(38,666)	(1)
Finance costs	(9,101)	-	(5,060)	-
Total non-operating income and expenses	24,191	1	64,786	1
CONSOLIDATED PROFIT BEFORE INCOME TAX	1,867,333	32	1,513,687	26
INCOME TAX EXPENSE (Notes 4 and 25)	486,730	8	398,422	7
NET PROFIT FOR THE YEAR	1,380,603	24	1,115,265	19
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	5,070	-	4,770	-

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	$ 12,563	-	$ (260)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(1,015)	-	(954)	-
	16,618	-	3,556	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	88,320	1	(220,960)	(4)
Income tax related to items that may be reclassified subsequently to profit or loss	(17,664)	-	44,192	1
	70,656	1	(176,768)	(3)
Other comprehensive loss for the year, net of income tax	87,274	1	(173,212)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,467,877	25	$ 942,053	16
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,385,016	24	$ 1,115,990	19
Non-controlling interests	(4,413)	-	(725)	-
	$ 1,380,603	24	$ 1,115,265	19
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,472,045	25	$ 942,387	16
Non-controlling interests	(4,168)	-	(334)	-
	$ 1,467,877	25	$ 942,053	16
EARNINGS PER SHARE (Note 26)				
Basic	$ 10.81		$ 8.71	
Diluted	$ 10.78		$ 8.61	

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
			Retained Earnings				Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total	Non-Controlling Interests	Total Equity
BALANCE, JANUARY 1, 2019	$ 1,281,127	$ 348,263	$ 809,987	$ 38,365	$ 3,545,719	$ 4,394,071	$ (100,863)	$ (6,764)	$ (107,627)	$ 5,915,834	$ 143,924	$ 6,059,758
Appropriation of 2018 earnings (Note 22)												
Legal reserve	-	-	98,277	-	(98,277)	-	-	-	-	-	-	-
Special reserve	-	-	-	69,262	(69,262)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(486,828)	(486,828)	-	-	-	(486,828)	-	(486,828)
	-	-	98,277	69,262	(654,367)	(486,828)	-	-	-	(486,828)	-	(486,828)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	1,115,990	1,115,990	-	-	-	1,115,990	(725)	1,115,265
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	3,425	3,425	(176,768)	(260)	(177,028)	(173,603)	391	(173,212)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,119,415	1,119,415	(176,768)	(260)	(177,028)	942,387	(334)	942,053
BALANCE AT DECEMBER 31, 2019	1,281,127	348,263	908,264	107,627	4,010,767	5,026,658	(277,631)	(7,024)	(284,655)	6,371,393	143,590	6,514,983
Appropriation of 2019 earnings (Note 22)												
Legal reserve	-	-	111,942	-	(111,942)	-	-	-	-	-	-	-
Special reserve	-	-	-	177,028	(177,028)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(538,073)	(538,073)	-	-	-	(538,073)	-	(538,073)
	-	-	111,942	177,028	(827,043)	(538,073)	-	-	-	(538,073)	-	(538,073)
Net profit for the year ended December 31, 2020	-	-	-	-	1,385,016	1,385,016	-	-	-	1,385,016	(4,413)	1,380,603
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	3,810	3,810	70,656	12,563	83,219	87,029	245	87,274
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,388,826	1,388,826	70,656	12,563	83,219	1,472,045	(4,168)	1,467,877
BALANCE AT DECEMBER 31, 2020	$ 1,281,127	$ 348,263	$ 1,020,206	$ 284,655	$ 4,572,550	$ 5,877,411	$ (206,975)	$ 5,539	$ (201,436)	$ 7,305,365	$ 139,422	$ 7,444,787

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income before income tax	$ 1,867,333	$ 1,513,687
Adjustments for:		
Depreciation expense	277,583	264,576
Amortization expense	6,393	8,800
Expected credit loss	1,869	3,663
Finance costs	9,101	5,060
Interest income	(78,714)	(63,610)
Loss on disposal of property, plant and equipment, net	3,221	4,700
Loss on inventories	70,486	52,777
Recognition of provisions	125,250	24,000
Amortization of grants income	(449)	-
Other non-cash items	(248)	(2,810)
Changes in operating assets and liabilities		
Notes receivable	(200,444)	(15,056)
Accounts receivable	(187,335)	39,448
Other receivables	(10,524)	(504)
Inventories	(516,087)	94,610
Other current assets	(4,320)	48,620
Net defined benefit asset	(1,345)	(3,457)
Notes payable	37,386	(87,785)
Accounts payable	74,647	(14,132)
Other payables	101,769	(31,375)
Other payables to related parties	343	(39)
Other current liabilities	211	930
Refund liabilities	(1,988)	(9,119)
Cash generated from operations	1,574,138	1,832,984
Interest received	78,898	52,577
Interest paid	(8,651)	(5,177)
Income tax paid	(301,389)	(233,686)
Net cash generated from operating activities	1,342,996	1,646,698
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(84,553)	(55,029)
Proceeds from disposal of financial assets at amortized cost	54,685	-
Acquisition of financial assets at fair value through profit or loss	(5,577,389)	(7,815,959)
Proceeds from disposal of financial assets at fair value through profit or loss	5,257,442	7,097,561
Acquisition of property, plant and equipment	(368,531)	(274,891)
Proceeds from disposal of property, plant and equipment	4,493	11,571
Payments for intangible assets	(2,143)	(18,861)
Increase in other financial assets	(133,617)	-
Decrease in other financial assets	-	56,442
Increase in other non-current assets	(225)	(5,455)
Net cash used in investing activities	(849,838)	(1,004,621)

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 1,838,328	$ 314,302
Repayments of short-term borrowings	(1,438,337)	(235,000)
Proceeds from long-term borrowings	347,000	-
Repayments of long-term borrowings	-	(150,000)
Refund of guarantee deposits received	(1,412)	(737)
Repayments of the principal portion of lease liabilities	(14,013)	(24,125)
Cash dividends paid	(538,073)	(486,828)
Net cash generated from (used in) financing activities	193,493	(582,388)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	44,103	(117,998)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	730,754	(58,309)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,774,594	1,832,903
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	$ 2,505,348	$ 1,774,594

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

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Thinking Electronic Industrial Co., Ltd. (the "Company") was incorporated in July 1979. The Company mainly manufactures, processes and sells electric devices, thermistors, varistors and wires.

The Company's shares have been listed on the Taiwan Stock Exchange since September 2000.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 22, 2021.

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

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

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the "Group"):

   Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

   The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether the abovementioned rent concessions need to be accounted for as lease modifications.

   The Group applied the amendment from January 1, 2020. Because the above-mentioned rent concessions happened only in 2020, the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB

(Continued)

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

(Concluded)

As of the date the consolidated financial statements were authorized for issue, the Group assessed there was no significant impact that the application of other standards and interpretations will have on the Group's financial position and financial performance.

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

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

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

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

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

1) Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

2) The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

3) Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

1) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

2) The Group chose the accounting policy from options permitted by the standards;

3) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

4) The accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or

5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, as of the date the consolidated financial statements were reported to the board of directors, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

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

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

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

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

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13, Table 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the company and non-controlling interests.

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

f. Inventories

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

g. Property, plant, and equipment

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

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

Freehold land is not depreciated.

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

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

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

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

i. Intangible assets

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

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

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

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i Financial asset at FVTPL

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL, which are not designated as debt instruments that do not meet the amortized cost criteria or the FVOTCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 29.

ii Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

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

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

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

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

i Internal or external information show that the debtor is unlikely to pay its creditors.

ii When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

The Group's financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Revenue recognition

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

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

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

Refund liabilities are based on the historical experience and different contract items to estimate the probable sales returns and allowance.

m. Leases

When the Group is lessee, the Group assesses whether the contract is, or contains, a lease at the inception of a contract.

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, lessee's incremental borrowing rate will be used.

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

n. Borrowing costs

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

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

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

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grant will be received.

Government grants related to income are recognized in other income on a systematic basis over the period in which the group recognized as expense the related cost that the grants intend to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest in treated as a government grant measured as the difference between the proceeds received and the fair value of the loan base on prevailing market interest rate.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sales of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand	$ 1,086	$ 1,520
Checking accounts	74	74
Demand deposits	1,333,420	1,116,116
Cash equivalents		
Time deposits with original maturities less than 3 months	1,170,768	656,884
	$ 2,505,348	$ 1,774,594

a. The market rate intervals of cash equivalents at the end of the years were as follows:

	December 31	
	2020	**2019**
Time deposits (%)	0.41-2.85	2.59-3.30

b. The Group transacted with variety of financial institutions which are high credit quality to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2020	**2019**
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets - structured deposits	$ 1,582,073	$ 1,239,151

Structured deposits combined with embedded derivatives which have no direct connection to major contract. Because of the major contract include in above financial assets should be measured under IFRS 9, based on this reason, the entire contract should mandatorily classified as at FVTPL.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	**2019**
Time deposits with original maturities of more than 3 months	$ 87,206	$ 55,029
Current	$ -	$ 55,029
Non-current	87,206	-
	$ 87,206	$ 55,029
Interest rate (%)	4.13	0.65-3.60

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 39,481	$ 26,918

These investments in equity instruments are not held for trading or for short-term gains. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
Notes receivable		
At amortized cost		
Gross carrying amount - operating	$ 588,283	$ 387,839
Accounts receivable - non-related parties		
At amortized cost		
Gross carrying amount - operating	$ 1,870,615	$ 1,683,612
Less: Allowance for impairment loss	26,595	24,898
	$ 1,844,020	$ 1,658,714

Refer to Note 31 for information related to notes receivable pledged as security.

The Company's notes receivable and accounts receivable have been measured by amortized cost. Refer to Note 29 for information related to credit management policy.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Group writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

There were no notes receivable that were past due and not impaired at the end of the reporting years.

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

December 31, 2020

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 1,728,022	$ 58,604	$ 50,298	$ 5,205	$ 10,721	$ 17,765	$ 1,870,615
Loss allowance (Lifetime ECLs)	(1,111)	(293)	(503)	(1,562)	(5,361)	(17,765)	(26,595)
Amortized cost	$ 1,726,911	$ 58,311	$ 49,795	$ 3,643	$ 5,360	$ -	$ 1,844,020

December 31, 2019

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 1,540,020	$ 62,823	$ 50,747	$ 3,311	$ 8,688	$ 18,023	$ 1,683,612
Loss allowance (Lifetime ECLs)	(717)	(314)	(507)	(993)	(4,344)	(18,023)	(24,898)
Amortized cost	$ 1,539,303	$ 62,509	$ 50,240	$ 2,318	$ 4,344	$ -	$ 1,658,714

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 24,898	$ 22,666
Add: Net remeasurement of loss allowance	1,869	3,663
Less: Amounts written off	(332)	(1,083)
Foreign exchange gains and losses	160	(348)
Balance at December 31	$ 26,595	$ 24,898

11. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 579,429	$ 529,374
Work-in-process	384,948	40,331
Raw materials	276,612	228,877
Supplies	18,955	15,602
Inventory in transit	6,168	8,114
	$ 1,266,112	$ 822,298

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was $3,205,653 thousand and $3,473,903 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2020	2019
Write-off obsolete inventories	$ 68,061	$ 83,133
Inventory write-downs (reversed)	2,425	(30,356)
Unallocated manufacturing overhead	25,436	-
	$ 95,922	$ 52,777

Unallocated manufacturing overhead are those expenditures of subsidiaries in China that halted production in the first quarter of 2020, due to the impact of COVID-19.

12. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Pledge time deposits	$ 163,969	$ 33,102
Deposits of banker's acceptance	23,180	22,818
Refundable deposits	9,292	6,904
	$ 196,441	$ 62,824
Current	$ 158,349	$ 28,196
Non-current	38,092	34,628
	$ 196,441	$ 62,824
Interest rate of pledge time deposits (%)	0.57-3.15	0.30-2.25

For other financial assets pledged information please refer to Note 31.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

			Percentage of Ownership (%)	
Name of Investor	Name of Investee	Main Businesses and Products	December 31, 2020	December 31, 2019
The Company	Yenyo Technology Co., Ltd. (Yenyo)	Note 1	52.61	52.61
	Greenish Co., Ltd. (Greenish)	Note 2	100.00	100.00
	Thinking (Changzhou) Electronic Co., Ltd. (Thinking Changzhou)	Note 3	47.39	47.39
	Welljet Hong Kong Ltd. (Welljet)	Notes 2 and 7	-	-
	Saint East Co., Ltd. (Saint East)	Notes 2 and 7	-	-
	Thinking Holding (Cayman) Co., Ltd. (Thinking Holding)	Note 2	100.00	100.00
Greenish	Thinking Changzhou	Note 3	52.61	52.61
	Welljet	Notes 2 and 7	-	-
Thinking Holding	Thinking International Co., Ltd. (Thinking International)	Note 2	100.00	100.00
	Thinking (HK) Enterprises Limited (Thinking HK)	Note 2	100.00	100.00
	View Full (Samoa) Ltd. (View Full Samoa)	Note 2	100.00	100.00
	Thinking Electronic (Samoa) Ltd. (Thinking Samoa)	Note 2	100.00	100.00
Thinking International	Thinking (Yichang) Electronic Co., Ltd. (Thinking Yichang)	Note 3	100.00	100.00
Thinking HK	Jiang Xi Thinking Electronic Co., Ltd. (Jiangxi Thinking)	Note 4	100.00	100.00
View Full Samoa	Guangdong Welkin Thinking Electronic Co., Ltd. (Guangdong Welkin Thinking)	Note 5	100.00	100.00

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%) December 31, 2020	Percentage of Ownership (%) December 31, 2019
	Dong Guan Welkin Electronic Co., Ltd. (Dongguan Welkin)	Notes 6 and 8	58.34	-
Thinking Samoa	Dongguan Welkin	Notes 6 and 8	10.42	25.00
Thinking Changzhou	Dongguan Welkin	Notes 6 and 8	31.24	75.00
Dongguan Welkin	Welkin Electronic Co., Ltd. (Zhongshan Welkin)	Notes 3 and 9	100.00	-

Note 1: Processing, selling and manufacturing diodes.

Note 2: International trading and investment.

Note 3: Manufacturing and selling thermistors, varistors and sensors.

Note 4: Manufacturing and selling thermistors and varistors.

Note 5: Wholesale of thermistors, varistors, sensors and equipment.

Note 6: Manufacturing and processing thermistors, varistors, sensors and equipment.

Note 7: The Company's board of directors resolved in its meeting in May 2019 to liquidate and dissolve Saint East and Welljet for coordination of marketing supply and reintegration of the Company. The Group completed the liquidation process in September 2019 and October 2019, respectively.

Note 8: For long-term operating need, View Full Samoa decided to invest in Dongguan Welkin RMB49,037 thousand in November 2019 through the distributed earnings of Guangdong Welkin Thinking on December 31, 2018 and mark June 1, 2020 as the capital increase issued date. The percentage of ownership of View Full Samoa, Thinking Samoa and Thinking Changzhou was 58.34%, 10.42% and 31.24%, respectively, at June 1, 2020.

Note 9: In order to combine manufacturing and sales in the factory, the board of directors of Dongguan Welkin had decided to establish Zhongshan Welkin, which had been registered in December 2020. As of December 31, 2020, Zhongshan Welkin has not been invested.

14. PROPERTY, PLANT, AND EQUIPMENT

For the Year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2020	$ 193,054	$ 867,054	$ 1,872,434	$ 131,404	$ 376,584	$ 95,963	$ 3,536,493
Additions	2,665	82,861	149,097	8,234	18,133	112,078	373,068
Disposals	-	(10,961)	(31,612)	-	(8,814)	-	(51,387)
Reclassified	-	-	-	-	(3,939)	-	(3,939)
Effect of foreign currency exchange differences	-	4,671	19,818	1,865	2,304	2,269	30,927
Balance at December 31, 2020	$ 195,719	$ 943,625	$ 2,009,737	$ 141,503	$ 384,268	$ 210,310	$ 3,885,162
Accumulated depreciation							
Balance at January 1, 2020	$ -	$ 248,544	$ 984,057	$ 49,294	$ 223,196	$ -	$ 1,505,091
Disposals	-	(10,961)	(25,133)	-	(7,579)	-	(43,673)
Depreciation expense	-	35,456	134,551	27,258	41,095	-	238,360
Reclassified	-	-	-	-	(858)	-	(858)
Effect of foreign currency exchange differences	-	(1,292)	10,059	1,164	1,344	-	11,275
Balance at December 31, 2020	$ -	$ 271,747	$ 1,103,534	$ 77,716	$ 257,198	$ -	$ 1,710,195
Carrying amounts at December 31, 2020	$ 195,719	$ 671,878	$ 906,203	$ 63,787	$ 127,070	$ 210,310	$ 2,174,967

For the Year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2019	$ 193,054	$ 870,661	$ 1,842,470	$ 125,914	$ 344,272	$ 51,781	$ 3,428,152
Additions	-	20,415	178,435	10,599	47,450	46,313	303,212
Disposals	-	(893)	(95,194)	-	(8,773)	-	(104,860)
Effect of foreign currency exchange differences	-	(23,129)	(53,277)	(5,109)	(6,365)	(2,131)	(90,011)
Balance at December 31, 2019	$ 193,054	$ 867,054	$ 1,872,434	$ 131,404	$ 376,584	$ 95,963	$ 3,536,493
Accumulated depreciation							
Balance at January 1, 2019	$ -	$ 219,775	$ 965,486	$ 25,510	$ 193,480	$ -	$ 1,404,251
Disposals	-	(803)	(79,992)	-	(7,794)	-	(88,589)
Depreciation expense	-	34,641	127,467	25,745	42,232	-	230,085
Effect of foreign currency exchange differences	-	(5,069)	(28,904)	(1,961)	(4,722)	-	(40,656)
Balance at December 31, 2019	$ -	$ 248,544	$ 984,057	$ 49,294	$ 223,196	$ -	$ 1,505,091
Carrying amount at December 31, 2019	$ 193,054	$ 618,510	$ 888,377	$ 82,110	$ 153,388	$ 95,963	$ 2,031,402

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

Buildings	
Main plants	13-60 years
Improvement engineering	2-60 years
Machinery and equipment	1-12 years
Leasehold improvements	3-10 years
Others	2-10 years

Refer to Note 31 for the carrying amount of property, plant and equipment pledged as collateral for bank borrowings.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	$ 188,773	$ 193,284
Buildings	64,971	66,497
	$ 253,744	$ 259,781

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 38,588	$ 33,885
Depreciation charge for right-of-use assets		
Land	$ 5,065	$ 4,648
Buildings	28,172	24,711
	$ 33,237	$ 29,359

Except for the recognized depreciation and additions, the Group did not have impairment or subleasing of right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 31,487	$ 24,851
Non-current	$ 92,661	$ 88,198

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	0.75-1.38	0.75-1.38
Buildings	5.13-6.04	6.04

c. Material leasing activities and terms

The Group leases land and buildings for the use of plants and offices.

1) Land

The land is located in Nanzih Export Processing Zone with lease terms of 9 to 10 years. The government reserves the right to adjust rent according to the assessed land value.

2) Buildings

The building is located in mainland China with lease terms of 4 to 50 years. The lease payments will be adjusted every 3 years on the basis of changes in market rental rates.

The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 453	$ 751
Expenses relating to low-value asset leases	$ 452	$ 456
Total cash outflow for leases	$ 20,099	$ 29,909

Lease arrangements under operating leases for the leasing out of investment properties are presented in Note 16.

16. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2020	**2019**
Cost		
Balance at January 1	$ 112,544	$ 117,365
Effect of foreign currency exchange differences	1,533	(4,821)
Balance at December 31	$ 114,077	$ 112,544
Accumulated depreciation		
Balance at January 1	$ 53,740	$ 48,353
Depreciation expense	6,572	5,231
Effect of foreign currency exchange differences	855	156
Balance at December 31	$ 61,167	$ 53,740
Carrying amount at December 31	$ 52,910	$ 58,804

Depreciation is provided on a straight-line basis over the estimated useful lives of 12-22 years.

The Group acquired a building located in Beijing, China on November 1, 2016, the carrying amount depended on the report in 2017 of fair value released by independent appraisal company.

In addition, the Group also holds buildings located in Suzhou and Nanchang, China. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	**2019**
Secured borrowings (Note 31)	$ 130,809	$ 4,302
Unsecured borrowings	375,000	100,000
	$ 505,809	$ 104,302

The annual interest rates of short-term borrowings were as follows:

	December 31	
	2020	**2019**
Secured borrowings (%)	2.6	Interest exemption
Unsecured borrowings (%)	0.75-0.77	0.90

The above rate with interest exemption of secured borrowings was the incentive policy provided by the local government to the subsidiary - Thinking Yichang.

b. Long-term borrowings

	Contract Content	December 31, 2020
Credit loans	Effective from October 2020 to October 2027. Principal is repaid in 48 monthly payments from November 2023.	$ 347,000
Less: Government grants discount		7,329
Less: Due within one year		-
		$ 339,671

Borrowings under the "Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan" have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value with annual interest rate of 0.845% based on general condition. At December 31, 2020, the annual interest rate of prime rate loan was 0.35%.

18. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Group's notes payable and accounts payable were from operating activities and were not secured by collaterals.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms; therefore, no interest was charged on the outstanding accounts payable.

19. OTHER PAYABLES

	December 31	
	2020	2019
Payable for salaries and bonuses	$ 279,432	$ 228,706
Payable for employees' compensation	64,300	44,100
Payable for purchase of equipment	45,370	24,203
Payable for remuneration of directors	23,400	17,900
Others	137,856	112,339
	$ 550,358	$ 427,248

20. REFUND LIABILITIES

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 47,717	$ 32,836
Recognized	125,250	24,000
Usage	(1,988)	(9,119)
Balance at December 31	$ 170,979	$ 47,717

The discount on refund liabilities was based on historical experience, management's judgments and other known reasons to estimate sales compensation and offset refund liability when compensation actually occurs.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

2) Thinking Changzhou, Dongguan Welkin, Thinking Yichang, Jiangxi Thinking and Guangdong Welkin Thinking of the Group make contributions in accordance with the local regulations. The subsidiaries are required to contribute a specified percentage of salaries to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan are to make the specified contributions.

b. Defined benefit plans

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

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

	December 31	
	2020	**2019**
Present value of defined benefit obligation	$ 97,584	$ 103,109
Fair value of plan assets	(105,514)	(104,624)
Net defined benefit assets	$ (7,930)	$ (1,515)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Assets**
Balance at January 1, 2019 (including $378 thousand of other payables)	$ 106,772	$ (99,682)	$ 7,090
Service cost			
Current service cost	191	-	191

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Net interest expense (income)	$ 1,107	$ (1,045)	$ 62
Recognized in profit or loss	1,298	(1,045)	253
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,420)	(3,420)
Actuarial loss - changes in financial assumptions	486	-	486
Actuarial gain - experience adjustments	(1,836)	-	(1,836)
Recognized in other comprehensive income	(1,350)	(3,420)	(4,770)
Contributions from the employer	-	(4,088)	(4,088)
Benefits paid	(3,611)	3,611	-
Balance at December 31, 2019	103,109	(104,624)	(1,515)
Service cost			
Current service cost	136	-	136
Net interest expense (income)	1,033	(1,062)	(29)
Recognized in profit or loss	1,169	(1,062)	107
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,129)	(3,129)
Actuarial loss - changes in financial assumptions	1,435	-	1,435
Actuarial gain - experience adjustments	(3,376)	-	(3,376)
Recognized in other comprehensive income	(1,941)	(3,129)	(5,070)
Contributions from the employer	-	(1,452)	(1,452)
Benefits paid	(4,753)	4,753	-
Balance at December 31, 2020	$ 97,584	$ (105,514)	$ (7,930)

Through the defined benefit plans under the Labor Standards Law, the Company and Yenyo of the Group are exposed to the following risks:

1) Investment risk

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

2) Interest risk

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

3) Salary risk

   The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	**2019**
Discount rate (%)	0.80-0.85	1.00-1.10
Expected rate of salary increase (%)	2.00-3.00	2.00-3.00

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

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (1,665)	$ (1,886)
0.25% decrease	$ 1,723	$ 1,957
Expected rate of salary increase		
1% increase	$ 7,098	$ 8,111
1% decrease	$ (6,324)	$ (7,158)

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

	December 31	
	2020	**2019**
The expected contributions to the plans for the next year	$ 1,440	$ 3,783
Average duration of the defined benefit obligation (years)	9-13	10-16

22. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	140,000	140,000
Shares authorized	$ 1,400,000	$ 1,400,000
Number of shares issued and fully paid (in thousands)	128,113	128,113
Shares issued	$ 1,281,127	$ 1,281,127

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

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares (Note)		
Conversion of bonds	$ 265,446	$ 265,446
Issuance of ordinary shares	59,168	59,168
Treasury share transactions	23,649	23,649
	$ 348,263	$ 348,263

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to ordinary shares (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the dividends policy in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to stockholders.

The Company's dividend policy is also designed to meet the current and future development plans and takes into consideration the investment environment, capital needs, domestic or international competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute the dividends at no less than 30% of the distributable earnings of the current year. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 20% of total dividends.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from a special reserve amounts of certain items. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 15, 2020 and June 21, 2019, respectively. The appropriations of earnings for 2019 and 2018 were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For the Year Ended		For the Year Ended	
	2019	2018	2019	2018
Legal reserve	$ 111,942	$ 98,277		
Special reserve	177,028	69,262		
Cash dividends	538,073	486,828	$ 4.2	$ 3.8
	$ 827,043	$ 654,367		

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 22, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividend Per Share (NT$)
Legal reserve	$ 138,883	
Special reserve	(83,219)	
Cash dividends	704,620	$ 5.5
	$ 760,284	

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 25, 2021.

d. Other equity items

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (277,631)	$ (100,863)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	88,320	(220,960)
Income tax benefit (expenses) relating to exchange differences arising on translation of foreign operations	(17,664)	44,192
Balance at December 31	$ (206,975)	$ (277,631)

2) Unrealized gain/loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (7,024)	$ (6,764)
Recognized for the year		
Unrealized gain (loss) on financial assets at FVTOCI	12,563	(260)
Balance at December 31	$ 5,539	$ (7,024)

e. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 143,590	$ 143,924
Share in loss for the year	(4,413)	(725)
Other comprehensive income during the year	245	391
Balance at December 31	$ 139,422	$ 143,590

23. OPERATING REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	$ 5,920,085	$ 5,814,054
Service revenue	173	178
	$ 5,920,258	$ 5,814,232

a. Refer to Note 4 (l) for information related to contracts with customers.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable (Note 10)	$ 2,432,303	$ 2,046,553	$ 2,074,260

c. Disaggregation of revenue

For the year ended December 31, 2020

	Reportable Segments				
Type of revenue	The Company	Yenyo	Thinking Changzhou	Others	Total
Revenue from sale of passive components	$ 2,691,961	$ 177,979	$ 1,334,599	$ 1,715,546	$ 5,920,085
Service revenue	173	-	-	-	173
	$ 2,692,134	$ 177,979	$ 1,334,599	$ 1,715,546	$ 5,920,258

For the year ended December 31, 2019

	Reportable Segments				
Type of revenue	The Company	Yenyo	Thinking Changzhou	Others	Total
Passive components	$ 2,818,637	$ 217,197	$ 1,257,467	$ 1,520,753	$ 5,814,054
Service revenue	178	-	-	-	178
	$ 2,818,815	$ 217,197	$ 1,257,467	$ 1,520,753	$ 5,814,232

24. CONSOLIDATED NET PROFIT

Consolidated net profit included following items:

a. Interest income

	For the Year Ended December 31	
	2020	2019
Financial assets at fair value through profit or loss	$ 48,464	$ 39,632
Bank deposits	19,288	22,161
Financial assets at amortized cost	4,017	627
Others (Note 30 (e))	6,945	1,190
	$ 78,714	$ 63,610

b. Other income

	For the Year Ended December 31	
	2020	2019
Grants	$ 33,231	$ 2,936
Income from overdue payables written off	-	2,472
Others (Note 30 (e))	36,030	39,494
	$ 69,261	$ 44,902

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Foreign exchange losses, net	$ (99,940)	$ (16,126)
Loss on disposal of property, plant and equipment, net	(3,221)	(4,700)
Others	(11,522)	(17,840)
	$ (114,683)	$ (38,666)

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ 5,181	$ 4,577
Interest expense of borrowings	4,441	547
	9,622	5,124
Less: Amounts included in the cost of qualifying assets	(521)	(64)
	$ 9,101	$ 5,060

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest amount	$ 521	$ 64
Capitalization rate (%)	0.35-1.23	1.23

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 238,360	$ 230,085
Right-of-use-assets	33,237	29,359
Investment properties	6,572	5,231
Other intangible assets	6,393	8,374
Other assets	-	426
	284,562	273,475
Less: Amounts included in the cost of qualifying assets	(586)	(99)
	$ 283,976	$ 273,376
An analysis of depreciation by function		
Operating costs	$ 214,678	$ 205,635
Operating expenses	56,333	53,710
Other gains and losses	6,572	5,231
	$ 277,583	$ 264,576
An analysis of amortization by function		
Operating costs	$ 2,599	$ 2,072
Operating expenses	3,794	6,728
	$ 6,393	$ 8,800

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salary	$ 1,220,699	$ 1,225,798
Others	154,774	165,743
	1,375,473	1,391,541
Retirement benefits		
Defined contribution plans	19,804	$ 71,238
Defined benefit plans (Note 21)	107	253
	19,911	71,491
	$ 1,395,384	$ 1,463,032
An analysis of employee benefits expense by function		
Operating costs	$ 882,549	$ 951,006
Operating expenses	512,835	512,026
	$ 1,395,384	$ 1,463,032

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The appropriations of employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 22, 2021 and March 23, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Accrual rate		
Employees' compensation (%)	3.6	3.0
Remuneration of directors (%)	1.3	1.2
Amounts		
Employees' compensation	$ 64,300	$ 44,100
Remuneration of directors	23,400	17,900

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

There is no difference between the actual amounts of compensation of Employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

25. INCOME TAX

a. Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 335,263	$ 250,070
Income tax on unappropriated earnings	8,319	14,017
Adjustments for prior years	(36,913)	(32,545)
	306,669	231,542
Deferred tax		
In respect of the current year	180,967	166,880
Effect of change in tax rate	(906)	-
	180,061	166,880
Income tax expense recognized in profit or loss	$ 486,730	$ 398,422

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	$ 1,867,333	$ 1,513,687
Income tax expense calculated at the statutory rate	$ 557,705	$ 415,195
Nondeductible expenses and tax-exempt income	(20,403)	(3,340)
Income tax on unappropriated earnings	8,319	14,017
Unrecognized deductible temporary differences	20,403	16,479
Effect of change in tax rate	(906)	-
Usage of investment credit	(41,475)	(11,225)
Foreign currency exchange differences	-	(159)
Adjustments for prior years' tax	(36,913)	(32,545)
Income tax expense recognized in profit or loss	$ 486,730	$ 398,422

The tax rate applicable to income generated in the Republic of China is 20%, and the tax rate applicable to income generated in mainland China is 25%. However, Thinking Changzhou, Thinking Yichang and Jiangxi Thinking qualified as high technology enterprises and were entitled to the applicable tax rate of 15%. Dongguan Welkin qualified as high technology enterprises in 2020, and the corporate income tax rate was adjusted from 25% to 15%.

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

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Translation of foreign operations	$ 17,664	$ (44,192)
Remeasurement on defined benefit plans	1,015	954
Income tax recognized in other comprehensive income	$ 18,679	$ (43,238)

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	$ 24,136	$ 580
Current tax liabilities		
Income tax payable	$ 135,401	$ 106,565

d. Deferred tax assets and liabilities

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

For the Year ended December 31, 2020

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Temporary differences					
Unrealized loss on inventories	$ 32,871	$ (3,885)	$ -	$ 319	$ 29,305
Unrealized gross profits	3,863	205	-	-	4,068
Unrealized refund liabilities	9,543	24,653	-	-	34,196
Exchange differences on translation of the financial statements of foreign operations	69,407	-	(17,664)	-	51,743
Others	16,564	3,058	(1,015)	73	18,680
	$ 132,248	$ 24,031	$ (18,679)	$ 392	$ 137,992

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Exchange Differences	Balance, End of Year
Temporary differences				
Foreign investment income	$ 850,691	$ 190,854	$ -	$1,041,545
Others	19,888	13,238	236	33,362
	$ 870,579	$ 204,092	$ 236	$1,074,907

For the Year ended December 31, 2019

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Temporary differences					
Unrealized loss on inventories	$ 42,393	$ (8,648)	$ -	$ (874)	$ 32,871
Unrealized gross profits	6,356	(2,493)	-	-	3,863
Unrealized refund liabilities	6,567	2,976	-	-	9,543
Exchange differences on translation of the financial statements of foreign operations	25,215	-	44,192	-	69,407
Others	19,238	(1,646)	(954)	(74)	16,564
	$ 99,769	$ (9,811)	$ 43,238	$ (948)	$ 132,248

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Exchange Differences	Balance, End of Year
Temporary differences				
Foreign investment income	$ 705,127	$ 145,564	$ -	$ 850,691
Others	9,038	11,505	(655)	19,888
	$ 714,165	$ 157,069	$ (655)	$ 870,579

e. Unused loss carryforwards and deductible temporary differences of Yenyo for which no deferred tax assets were recognized in the balance sheet are as follows:

	December 31	
	2020	2019
Loss carryforwards		
Expiry in 2023	$ 15,282	$ 17,269
Expiry in 2025	7,333	7,333
Expiry in 2026	13,252	13,252
Expiry in 2027	4,987	4,987
Expiry in 2030	13,330	-
	$ 54,184	$ 42,841
Deductible temporary differences	$ 39,357	$ 42,295

f. Information about unused loss carryforwards of Yenyo as of December 31, 2020:

Fiscal Year	Expiry Year	Unused Amount
2013	2023	$ 3,057
2015	2025	1,467
2016	2026	2,650
2017	2027	997
2020	2030	2,666
		$ 10,837

According to the Income Tax Act, loss carryforwards shall be used within the next 10 years. The Group did not recognize deferred tax assets because of the low possibility of realization in the future.

g. Income tax assessments

The tax returns of the Company and Yenyo through 2018 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of EPS are as follows:

Net profit for the year

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	$ 1,385,016	$ 1,115,990

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	128,113	128,113
Effect of potentially dilutive ordinary shares		
Compensation of Employees	402	553
Weighted average number of ordinary shares used in the computation of diluted earnings per share	128,515	128,666

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

27. GOVERNMENT GRANTS

The Company obtained government loans of $347,000 thousand under the "Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan" which have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value at $339,395 thousand as of December 31, 2020 with annual interest rate 0.845% based on general condition. The difference amount of $7,605 thousand between acquisition amount and the fair valued at December 31, 2020 had been classified as government's low interest grants and recognized as deferred revenue.

	For the Year Ended December 31, 2020
Balance at January 1	$ 14,341
Deferred revenue in the reporting period	7,605
Realized revenue in the reporting period (in other income)	(449)
Effect of foreign currency exchange differences	197
Balance at December 31	$ 21,694

Carrying amount of deferred revenue	December 31, 2020
Current (in other current liabilities)	$ 752
Non-current	20,942
	$ 21,694

28. CAPITAL MANAGEMENT

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

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

29. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured deposit	$ -	$ -	$ 1,582,073	$ 1,582,073
Financial assets at FVTOCI				
Domestic unlisted shares	-	-	39,481	39,481
	$ -	$ -	$ 1,621,554	$ 1,621,554

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured deposit	$ -	$ -	$ 1,239,151	$ 1,239,151
Financial assets at FVTOCI				
Domestic unlisted shares	-	-	26,918	26,918
	$ -	$ -	$ 1,266,069	$ 1,266,069

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Financial assets	Debt Instruments Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2020	$ 1,239,151	$ 26,918	$ 1,266,069
Purchases	5,577,389	-	5,577,389
Sales	(5,257,442)	-	(5,257,442)
Recognized in other comprehensive income	-	12,563	12,563
Foreign currency exchange differences	22,975	-	22,975
Balanced at December 31, 2020	$ 1,582,073	$ 39,481	$ 1,621,554

For the year ended December 31, 2019

Financial assets	Debt Instruments Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2019	$ 575,197	$ 27,178	$ 602,375
Purchases	7,815,959	-	7,815,959
Sales	(7,097,561)	-	(7,097,561)
Recognized in other comprehensive loss	-	(260)	(260)
Foreign currency exchange differences	(54,444)	-	(54,444)
Balanced at December 31, 2019	$ 1,239,151	$ 26,918	$ 1,266,069

3) Valuation techniques and inputs applied for Level 3 fair value measurement

a) The fair values of domestic unlisted shares are determined using the market approach where the inputs are categories of business, values of same type of company and operation of company.

b) The fair values of structured deposits mined using discounted cash flow method.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 1,582,073	$ 1,239,151
Financial assets at amortized cost (Note 1)	5,251,058	3,959,141
Financial assets at FVTOCI		
Equity instruments	39,481	26,918
Financial liabilities		
Amortized cost (Note 2)	2,043,200	1,067,948

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables (excluding income tax refund receivable) and other financial assets.

2) The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payable, accounts payable, other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received.

d. Financial risk management objectives and policies

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

The treasury function reports monthly to the Group's management.

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which exposes the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and derivatives exposed to foreign currency risk at the end of the year are set out in Note 33.

Sensitivity analysis

The Group is mainly exposed to the risk from the fluctuation of USD and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2020	**2019**	**2020**	**2019**
Profit or loss	$ 21,265	$ 13,844	$ 7,908	$ (678)

b) Interest rate risk

The interest rate risk of the Group is primarily related to its fixed interest rates of bank loans. The Group manages its interest rate risk by using interest rate swap contracts and forward interest rate contracts. Furthermore, total amount of the Group's cash and cash equivalents are considerably greater than the amount of bank loans which can process repayment procedure spontaneously. Therefore, interest rate risk does not have significant impact to the Group.

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

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 1,454,415	$ 774,737
Financial liabilities	629,957	213,049
Cash flow interest rate risk		
Financial assets	2,915,493	2,355,267
Financial liabilities	339,671	-

Sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have been higher/lower by $25,758 thousand and by $23,553 thousand, respectively, which was mainly a result of the changes in the floating interest rate financial instrument.

2) Credit risk

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

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

3) Liquidity risk

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

Given that the Group's current assets are considerably higher than current liabilities, the Group has no liquidity risk.

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2020 and 2019, the face amounts of these unsettled bills receivable were $185,181 thousand and $149,800 thousand, respectively. The unsettled bills receivable will be due in 9 months and 9 months, respectively after December 31, 2020 and 2019. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 2020 and 2019, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

30. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions and revenues and expenses among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transaction between the Group and other related parties were as follows:

a. Related party name and its relationship with the Group

Related Party Name	Relationship with the Group
Welkin Electronic Industrial Co., Ltd. (Pingtung Welkin)	Related party in substance
Boh Chin Investment Co., Ltd. (Boh Chin Investment)	Related party in substance

b. Other transactions with related parties

1) Consigned processing

Line Item	Related Party Category /Name	For the Year Ended December 31	
		2020	2019
Processing expense	Related party in substance - Pingtung Welkin	$ 731	$ 355

The price and payment terms with substance related parties were not be compared due to the Group have no other consigned processing business with non-related parties. The payment term was 60 days from the end of the month of when invoice is issued.

2) Lease arrangements

Line Item	Related Party Category /Name	For the Year Ended December 31	
		2020	2019
Lease expense	Related party in substance - Boh Chin Investment	$ 480	$ 480

The lease contract between the Group and related parties in substance is based on the market rental agreement under the general payment terms.

c. Ending balance

	December 31	
	2020	2019
Other payables		
Related party in substance - Pingtung Welkin	$ 485	$ 142

d. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 91,696	$ 71,216
Post-employment benefits	1,240	1,343
	$ 92,936	$ 72,559

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

e. Others

The Company's audit committee had authorized the independent director that represents the Company to lodge a claim for refund of the tax penalty in the amount of $21,185 thousand (including interest). Such tax penalty resulted from the chairman who violated tax regulations in the past year. The refund had been received on October 19, 2020, and recognized $3,844 thousand and $17,341 thousand as interest income and other income, respectively.

31. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Group provided the following assets as collateral for bank borrowings, tariff guarantee for imported and exported, deposits for construction contract and payment:

	December 31	
	2020	2019
Pledged deposits (classified as other financial assets)	$ 163,969	$ 33,102
Deposits of banker's acceptance (classified as financial assets)	23,180	22,818
Notes receivable	184,340	153,710
Properties, plant and equipment		
Land	51,034	51,034
Buildings	47,995	51,951
	$ 470,518	$ 312,615

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments due to the plants under construction and equipment were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	$ 114,874	$ 55,472

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
Financial assets				
Monetary items				
USD	$ 30,304	6.5325	(USD:RMB)	$ 863,058
USD	65,646	28.4800	(USD:NTD)	1,869,598
USD	10	7.7516	(USD:HKD)	285
RMB	165,948	4.3597	(RMB:NTD)	723,483
RMB	19,610	0.1531	(RMB:USD)	85,494
				$ 3,541,918

(Continued)

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
Financial liabilities				
Monetary items				
USD	$ 621	6.5325	(USD:RMB)	$ 17,686
USD	20,673	28.4800	(USD:NTD)	588,767
RMB	4,173	4.3597	(RMB:NTD)	18,193
				$ 624,646
December 31, 2019				
Financial assets				
Monetary items				
USD	24,442	6.9805	(USD:RMB)	$ 733,740
USD	36,145	30.0200	(USD:NTD)	1,085,081
USD	11	7.7873	(USD:HKD)	321
RMB	58,339	4.3006	(RMB:NTD)	250,894
RMB	16,020	0.1433	(RMB:USD)	68,894
				$ 2,138,930
Financial liabilities				
Monetary items				
USD	1,289	6.9805	(USD:RMB)	$ 38,688
USD	13,192	30.0200	(USD:NTD)	396,014
RMB	90,130	4.3006	(RMB:NTD)	387,612
				$ 822,314

(Concluded)

Realized and unrealized net foreign exchange loss. Refers to Note 24 (c). It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

34. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

1) Financing provided to others: Table 1.

2) Endorsement/guarantee provided: None.

3) Marketable securities held (excluding investment in subsidiaries): Table 2.

4) Marketable securities acquired or disposed of at cost or price of at least NT$300 million or 20% of the paid-in capital: Table 3.

5) Acquisition of individual real estate at cost of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

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

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Information on investees: Table 6.

10) Trading in derivative instruments: None.

11) Intercompany relationships and significant intercompany transaction: Table 8.

b. Information on investments in Mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China areas: Table 7.

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

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.

c) The amount of property transactions and the amount of the resultant gains or losses: None.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.

e) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

c. Information of major shareholder: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 9.

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on type of goods or services delivered or provided. The Group’s reportable segments were as follows:

a. Thinking Electronic Industrial Co., Ltd. (Thinking): Manufacturing, processing and selling of electric devices, thermistors, varistors and wines.

b. Yenyo: Processing, selling and manufacturing diodes as principle business.

c. Thinking Changzhou: Manufacturing, processing and selling thermistors, varistors, sensors and equipment as principle business.

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Thinking	Yenyo	Thinking Changzhou	Others	Adjustment and Elimination	Consolidated Amount
For the Year ended December 31, 2020						
Revenues from external customers	$ 2,692,134	$ 177,979	$ 1,334,599	$ 1,715,546	$ -	$ 5,920,258
Inter-segment revenue	527,808	2,373	1,271,144	2,668,057	(4,469,382)	-
Segment revenue	$ 3,219,942	$ 180,352	$ 2,605,743	$ 4,383,603	$ (4,469,382)	$ 5,920,258
Segment income (loss)	$ 789,521	$ (12,418)	$ 362,628	$ 769,908	$ (66,497)	$ 1,843,142
Interest income						78,714
Other income						69,261
Other gains and losses						(114,683)
Finance costs						(9,101)
Consolidated profit before income tax						1,867,333
Income tax						486,730
Consolidated net income						$ 1,380,603
December 31, 2020						
Total segment assets	$ 3,872,396	$ 325,886	$ 4,055,374	$ 4,915,938	$ (2,138,934)	$ 11,030,660
Total segment liabilities	$ 3,001,769	$ 31,539	$ 586,433	$ 1,962,586	$ (1,996,454)	$ 3,585,873
For the Year ended December 31, 2019						
Revenues from external customers	$ 2,818,815	$ 217,197	$ 1,257,467	$ 1,520,753	$ -	$ 5,814,232
Inter-segment revenue	319,033	217	1,896,932	1,225,562	(3,441,744)	-
Segment revenue	$ 3,137,848	$ 217,414	$ 3,154,399	$ 2,746,315	$ (3,441,744)	$ 5,814,232
Segment income (loss)	$ 703,425	$ (1,848)	$ 342,310	$ 355,726	$ 49,288	$ 1,448,901
Interest income						63,610
Other income						44,902
Other gains and losses						(38,666)
Finance costs						(5,060)
Consolidated profit before income tax						1,513,687
Income tax						398,422
Consolidated net income						$ 1,115,265
December 31, 2019						
Total segment assets	$ 3,018,792	$ 329,255	$ 4,249,562	$ 2,585,643	$ (1,432,737)	$ 8,750,515
Total segment liabilities	$ 2,045,145	$ 26,114	$ 692,438	$ 811,475	$ (1,339,640)	$ 2,235,532

Segment profit represents the profit before tax earned by each segment without interest income, other income, other gains and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

a. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	For the Year Ended December 31	
	2020	2019
Passive components	$ 5,742,106	$ 5,596,857
Others	178,152	217,375
	$ 5,920,258	$ 5,814,232

b. Geographical information

1) The Group operates in two principal geographical areas - China and Taiwan.

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

	Revenue from External Customers For the Year Ended December 31	
	2020	2019
Asia	$ 4,481,839	$ 4,435,509
Europe	610,590	574,284
Taiwan	472,220	463,523
Others	355,609	340,916
	$ 5,920,258	$ 5,814,232

3) The location of Group's non-current assets are detailed below

	Non-current Assets December 31	
	2020	2019
China	$ 1,728,295	$ 1,709,436
Taiwan	867,275	777,961
	$ 2,635,570	$ 2,487,397

Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

c. Information about major customers

No single customer contributed over 10% of the Group's consolidated operating revenue.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance	Actual Amount Borrowing	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
1	Thinking Changzhou	Guangdong Welkin Thinking	Other receivables - related parties	Y	$ 108,994 (CNY 25,000 thousand)	$ 108,994 (CNY 25,000 thousand)	$ 63,615 (CNY 15,000 thousand)	4.35	Note 1	$ -	Operating capital	$ -	-	$ -	$ 1,120,143	$ 1,493,525	

Note 1: Short-term financing.

Note 2: The total amounts of financing provided should not exceed 40% of the shareholders' equity of Thinking Changzhou and financing provided to any single entity should not exceed 30% of the shareholders' equity of Thinking Changzhou. For foreign companies of which Thinking Changzhou holds, directly and indirectly 100% of the voting share, the financing provided to any single entity should not exceed 100% of the net equity worth of Thinking Changzhou.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	ACPA TECHNOLOGY CO., LTD.	-	Financial assets at FVTOCI - non-current	2,469,130	$ 39,481	11	$ 39,481	
Thinking Changzhou	RMB financial products							
	"E-Lingtong" net worth type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 26,223 thousand	-	CNY 26,223 thousand	
	Wishful Life V - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 120,000 thousand	-	CNY 120,000 thousand	
	Yuntong Wealth Long-lasting pension - Bank of Communications	-	Financial assets at FVTPL - current	-	CNY 500 thousand	-	CNY 500 thousand	
	Structured Deposit Monthly Profit - Fubon Bank (China)	-	Financial assets at FVTPL - current	-	CNY 80,000 thousand	-	CNY 80,000 thousand	
Thinking Yichang	RMB financial products							
	"Qianyuan-Hengying" (90 days) periodic open net worth type - China Construction Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	"Xpress E" Special Account Customization - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 25,000 thousand	-	CNY 25,000 thousand	
	"Tian Libao" Net Worth Type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 6,000 thousand	-	CNY 6,000 thousand	
	Stable Financial Plan-Wisdom Series - Bank of China	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	
Jiangxi Thinking	RMB financial products							
	Juyishengjin - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 11,750 thousand	-	CNY 11,750 thousand	
	Stable Financial Management Plan-Wisdom Series - Bank of China	-	Financial assets at FVTPL - current	-	CNY 11,000 thousand	-	CNY 11,000 thousand	
	Accumulate every day-daily plan - Bank of China	-	Financial assets at FVTPL - current	-	CNY 1,360 thousand	-	CNY 1,360 thousand	
Guangdong Welkin Thinking	RMB financial products							
	Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	People add profit - E. Sun Commercial Bank	-	Financial assets at FVTPL - current	-	CNY 1,000 thousand	-	CNY 1,000 thousand	
Dongguan Welkin	RMB financial products							
	Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	Increase profit B - China Merchants Banks	-	Financial assets at FVTPL - current	-	CNY 20,000 thousand	-	CNY 20,000 thousand	
	People add profit - E. Sun Commercial Bank	-	Financial assets at FVTPL - current	-	CNY 5,000 thousand	-	CNY 5,000 thousand	

TABLE 3

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Carrying Amount	Gain/Loss on Disposal	Number of shares	Amount
Thinking Changzhou	RMB financial products													
	Qian Yuan Tianfu	Financial assets at FVTPL - current	China Construction Bank		-	CNY 55,000 thousand	-	CNY 40,000 thousand	-	CNY 97,455 thousand	CNY 95,000 thousand	CNY 2,455 thousand	-	-
	E-Lingtong" net worth type	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 12,239 thousand	-	CNY 316,484 thousand	-	CNY 303,844 thousand	CNY 302,500 thousand	CNY 1,344 thousand	-	CNY 26,223 thousand
	Wishful Life V	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 28,000 thousand	-	CNY 160,000 thousand	-	CNY 69,225 thousand	CNY 68,000 thousand	CNY 1,225 thousand	-	CNY 120,000 thousand
	Accumulate every day-daily plan	Financial assets at FVTPL - current	Bank of China		-	CNY 3,500 thousand	-	CNY 85,000 thousand	-	CNY 88,613 thousand	CNY 88,500 thousand	CNY 113 thousand	-	-
	Stable Financial Plan-Wisdom Series	Financial assets at FVTPL - current	Bank of China		-	CNY 50,000 thousand	-	CNY 20,000 thousand	-	CNY 71,338 thousand	CNY 70,000 thousand	CNY 1,338 thousand	-	-
	Structured Deposit Monthly Profit	Financial assets at FVTPL - current	Fubon Bank (China)		-	-	-	CNY 80,000 thousand	-	-	-	-	-	CNY 80,000 thousand
Thinking Yichang	RMB financial products													
	"Xpress E" Special Account Customization	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 5,000 thousand	-	CNY 65,000 thousand	-	CNY 45,415 thousand	CNY 45,000 thousand	CNY 415 thousand	-	CNY 25,000 thousand
Jiangxi Thinking	RMB financial products													
	Juyishengjin	Financial assets at FVTPL - current	China Merchants Bank		-	CNY 20,500 thousand	-	CNY 61,910 thousand	-	CNY 71,059 thousand	CNY 70,660 thousand	CNY 399 thousand	-	CNY 11,750 thousand
	Accumulate every day-daily plan	Financial assets at FVTPL - current	Bank of China		-	-	-	CNY 62,790 thousand	-	CNY 61,496 thousand	CNY 61,430 thousand	CNY 66 thousand	-	CNY 1,360 thousand
Dongguan Welkin	RMB financial products													
	Point Gold Series Structured Deposit	Financial assets at FVTPL - current	China Merchants Bank		-	-	-	CNY 150,000 thousand	-	CNY 135,692 thousand	CNY 135,000 thousand	CNY 692 thousand	-	CNY 15,000 thousand

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Receivable) Payable		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% of Total	
The Company	Thinking Changzhou	Subsidiary	Sales	$ (289,174)	(9)	90 days from the end of the month	$ -	-	$ (155,073)	(14)	
	Thinking Changzhou	Subsidiary	Purchases	821,846	45	90 days from the end of the month	-	-	221,925	25	
	Dongguan Welkin	Subsidiary	Sales	(195,989)	(6)	90 days from the end of the month	-	-	(129,816)	(12)	
	Dongguan Welkin	Subsidiary	Purchases	403,759	22	90 days from the end of the month	-	-	337,910	38	
	Dongguan Welkin	Subsidiary	Processing	169,718	9	From the end of the month when invoice is issued by T/T	-	-	-	-	
	Jiangxi Thinking	Subsidiary	Purchases	132,300	7	90 days from the end of the month	-	-	-	-	
	Thinking Yichang	Subsidiary	Purchases	109,801	6	90 days from the end of the month	-	-	31,937	4	
Thinking Changzhou	Jiangxi Thinking	Associate	Sales	(156,407)	(6)	90 days from the end of the month	-	-	(76,675)	(7)	
	Guangdong Welkin Thinking	Associate	Sales	(197,795)	(8)	90 days from the end of the month	-	-	(36,927)	(3)	
Thinking Yichang	Guangdong Welkin Thinking	Associate	Sales	(481,387)	(52)	90 days from the end of the month	-	-	(164,519)	(42)	
	Jiangxi Thinking	Associate	Purchases	179,872	33	90 days from the end of the month	-	-	82,242	38	
Guangdong Welkin Thinking	Dongguan Welkin	Associate	Processing	158,362	13	From the end of the month when invoice is issued by T/T	-	-	-	-	
	Dongguan Welkin	Associate	Purchases	318,119	25	90 days from the end of the month	-	-	315,570	44	
Jiangxi Thinking	Dongguan Welkin	Associate	Sales	(162,192)	(28)	90 days from the end of the month	-	-	(160,095)	(59)	

Note: All the above transactions were eliminated on consolidation.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Thinking Changzhou	Subsidiary	$ 155,073	1.75	$ -	-	$ 68,481	$ -
	Dongguan Welkin	Subsidiary	129,816	3.02	-	-	23,971	-
Thinking Changzhou	The Company	Parent company	221,925	3.38	-	-	115,773	-
Thinking Yichang	Guangdong Welkin Thinking	Associate	164,519	3.23	-	-	118,537	-
Dongguan Welkin	The Company	Parent company	337,910	1.28	-	-	212,663	-
	Guangdong Welkin Thinking	Associate	315,570	1.72	-	-	141,732	-
Jiangxi Thinking	Dongguan Welkin	Associate	160,095	2.03	-	-	21,706	-

Note: All the above transactions were eliminated on consolidation.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of ownership (%)	Carrying Amount			
The Company	Yenyo	Yilan	Processing, sales and manufacturing of diodes	$ 275,160	$ 275,160	21,232,508	52.61	$ 149,749	$ (9,312)	$ (4,900)	Note 1
	Greenish	British Virgin Island	Investment holding and international trading	242,300 (US$ 7,375 thousand)	242,300 (US$ 7,375 thousand)	7,374,997	100	1,918,837	234,076	232,338	Note 1
	Thinking Holding	Cayman	Investment holding and international trading	770,212 (US$ 24,729 thousand)	770,212 (US$ 24,729 thousand)	24,728,858	100	2,552,063	568,755	505,755	Note 1
Thinking Holding	Thinking International	Mauritius	Investment holding and international trading	196,512 (US$ 6,075 thousand)	195,017 (US$ 6,025 thousand)	6,075,000	100	954,972	155,840	155,840	
	Thinking HK	Hong Kong	Investment holding and international trading	311,109 (US$ 10,020 thousand)	311,109 (US$ 10,020 thousand)	10,020,000	100	625,927	85,350	85,350	
	View Full Samoa	Samoa	Investment holding and international trading	155,108 (US$ 5,055 thousand)	155,108 (US$ 5,055 thousand)	5,055,000	100	946,158	288,150	288,150	
	Thinking Samoa	Samoa	Investment holding and international trading	76,294 (US$ 2,599 thousand)	76,294 (US$ 2,599 thousand)	2,598,858	100	100,197	38,266	38,266	

Note 1: The share of profits or losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: Information of investees which located in mainland China, refer to Table 7.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss)of the Investee	Percentage of Ownership Direct or Indirect Investment	Investment Gain (Loss) (Note 7)	Carrying Amount as of December 31, 2020 (Note 7)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Thinking Changzhou	Manufacturing and selling thermistors, varistors and sensors	US$ 21,260 thousand	Note 1	$ 452,725	$ -	$ -	$ 452,725	$ 459,452	100	$ 456,149	$3,681,581	$ 739,210 (US$ 24,148)	Notes 10 and 11
Thinking Yichang	Manufacturing and selling thermistors, varistors and sensors	US$ 6,000 thousand	Note 2	194,170	-	-	194,170	155,909	100	155,909	953,392	-	Note 11
Jiangxi Thinking	Manufacturing and selling thermistors and varistors	US$ 10,000 thousand	Note 3	310,330	-	-	310,330	85,381	100	85,381	625,650	-	Note 11
Guangdong Welkin Thinking	Manufacturing and selling thermistors, varistors and sensors	US$ 5,000 thousand	Note 4	153,547	-	-	153,547	163,790	100	163,790	386,840	-	Note 11
Dongguan Welkin	Selling thermistors, varistors, sensors and equipment	CNY$ 84,050 thousand	Note 5	75,535	-	-	75,535	277,401	100	277,401	974,197	-	Note 11
Zhongshan Welkin	Manufacturing and selling thermistors, varistors	-	Note 6	-	-	-	-	-	-	-	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$1,186,307 (US$37,209 thousand)	$797,355 (US$27,997 thousand) (Note 8)	$4,383,219 (Note 9)

Note 1: Indirectly investment in mainland China through Greenish which was registered in the third area. The Company increased the amount of indirect investments in mainland China through Greenish since 2003.

Note 2: Indirectly investment in mainland China through companies registered in the third area (Thinking International).

Note 3: Indirectly investment in mainland China through companies registered in the third area (Thinking HK).

Note 4: Indirectly investment in mainland China through companies registered in the third area (View Full Samoa).

Note 5: Indirectly investment in mainland China through companies registered in the third area, View Full Samoa and Thinking Samoa and the subsidiary Thinking Changzhou.

Note 6: The board of directors had decided to establish the Company through the subsidiary (Dongguan Welkin), and has been registered at December, 2020. At the end of December 31, 2020, the Company has no outward remittance for investment.

Note 7: Financial report had been audited by ultimate parent company's certified public accountant.

Note 8: Indirectly investment in mainland China through companies registered in the third area. The investment amount approved by MOEA was US$39,478 thousand. The remaining amount had deducted earnings repatriation which was approximately US$11,481 thousand. The balance amount at December 31, 2020 was based on US to TWD exchange rate of 28.48.

Note 9: The upper limit on investment in main land China is determined by 60% of the Company's consolidated net worth.

Note 10: The Company recognized share of profits of Thinking Changzhou was $216,182 thousand, and Greenish recognized share of profits of Thinking Changzhou was $239,967 thousand. Total amount of share of profits was $456,149 thousand. The difference between total amount of share of profits and the net income of Thinking Changzhou resulted from unrealized gross profit on intercompany transactions.

Note 11: All the above transactions were eliminated on consolidation.

TABLE 8

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Sales or Total Assets
0	The Company	Thinking Changzhou	1	Sales	$ 289,174	Pricing by cost-plus practice	5
		Thinking Changzhou	1	Purchases	821,846	Pricing by cost-plus practice	14
		Thinking Changzhou	1	Accounts receivable	155,073	90 days from the end of the month	1
		Thinking Changzhou	1	Accounts payable	221,925	90 days from the end of the month	2
		Thinking Yichang	1	Sales	42,645	Pricing by cost-plus practice	1
		Thinking Yichang	1	Purchases	109,801	Pricing by cost-plus practice	2
		Thinking Yichang	1	Accounts receivable	838	90 days from the end of the month	-
		Thinking Yichang	1	Accounts payable	31,937	90 days from the end of the month	-
		Dongguan Welkin	1	Sales	195,989	Pricing by cost-plus practice	3
		Dongguan Welkin	1	Purchases	403,759	Pricing by cost-plus practice	7
		Dongguan Welkin	1	Processing expense	169,718	Note 2	3
		Dongguan Welkin	1	Accounts receivable	129,816	90 days from the end of the month	1
		Dongguan Welkin	1	Accounts payable	337,910	90 days from the end of the month	3
		Dongguan Welkin	1	Prepayment	1,139	90 days from the end of the month	-
		Jiangxi Thinking	1	Purchases	132,300	Pricing by cost-plus practice	2
		Yenyo	1	Purchases	2,373	Pricing by cost-plus practice	-
1	Thinking Changzhou	Thinking Yichang	2	Sales	43,563	Pricing by cost-plus practice	1
		Thinking Yichang	2	Purchases	93,012	Pricing by cost-plus practice	2
		Thinking Yichang	2	Accounts receivable	19,754	90 days from the end of the month	-
		Thinking Yichang	2	Accounts payable	46,217	90 days from the end of the month	-
		Jiangxi Thinking	2	Sales	156,407	Pricing by cost-plus practice	3
		Jiangxi Thinking	2	Purchases	36,701	Pricing by cost-plus practice	1
		Jiangxi Thinking	2	Accounts receivable	76,675	90 days from the end of the month	1
		Jiangxi Thinking	2	Accounts payable	9,676	90 days from the end of the month	-
		Guangdong Welkin Thinking	2	Sales	197,795	Pricing by cost-plus practice	3
		Guangdong Welkin Thinking	2	Purchases	4,832	Pricing by cost-plus practice	-
		Guangdong Welkin Thinking	2	Interest income	1,918	For one year financing provided	-
		Guangdong Welkin Thinking	2	Accounts receivable	36,927	90 days from the end of the month	-
		Guangdong Welkin Thinking	2	Other accounts receivable	67,361	For one year financing provided	1
		Dongguan Welkin	2	Sales	48,941	Pricing by cost-plus practice	1
		Dongguan Welkin	2	Purchases	33,913	Pricing by cost-plus practice	1
		Dongguan Welkin	2	Accounts receivable	50,926	90 days from the end of the month	-
		Dongguan Welkin	2	Accounts payable	31,787	90 days from the end of the month	-
		Dongguan Welkin	2	Prepayment	535	90 days from the end of the month	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Sales or Total Assets
2	Thinking Yichang	Guangdong Welkin Thinking	2	Sales	$ 481,387	Pricing by cost-plus practice	8
		Guangdong Welkin Thinking	2	Purchases	1,625	Pricing by cost-plus practice	-
		Guangdong Welkin Thinking	2	Accounts receivable	164,519	90 days from the end of the month	1
		Dongguan Welkin	2	Sales	13,204	Pricing by cost-plus practice	-
		Dongguan Welkin	2	Purchases	12,762	Pricing by cost-plus practice	-
		Dongguan Welkin	2	Accounts receivable	10,447	90 days from the end of the month	-
		Dongguan Welkin	2	Accounts payable	3,194	90 days from the end of the month	-
		Dongguan Welkin	2	Prepayment	3,408	90 days from the end of the month	-
		Jiangxi Thinking	2	Purchases	179,872	Pricing by cost-plus practice	3
		Jiangxi Thinking	2	Accounts payable	82,242	90 days from the end of the month	1
3	Jiangxi Thinking	Guangdong Welkin Thinking	2	Sales	63,260	Pricing by cost-plus practice	1
		Dongguan Welkin	2	Sales	162,192	Pricing by cost-plus practice	3
		Dongguan Welkin	2	Purchases	1,102	Pricing by cost-plus practice	-
		Dongguan Welkin	2	Accounts receivable	160,095	90 days from the end of the month	1
4	Guangdong Welkin Thinking	Dongguan Welkin	2	Sales	27,037	Pricing by cost-plus practice	-
		Dongguan Welkin	2	Purchases	318,119	Pricing by cost-plus practice	5
		Dongguan Welkin	2	Processing expense	158,362	Note 2	3
		Dongguan Welkin	2	Accounts receivable	11,953	90 days from the end of the month	-
		Dongguan Welkin	2	Accounts payable	315,570	90 days from the end of the month	3

(Concluded)

Note 1: Transactions are categorized as follows:

1) Transactions from parent company to subsidiaries.

2) Transactions between subsidiaries.

Note 2: Transaction amounts were not comparable due to the Company had no other consigned processing business with non-related parties.

TABLE 9

THINKING ELECTRONIC INDUSTRIAL CO., LTD

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Boh Chin Investment Co., Ltd.	27,178,247	21.21
Yih Chin Investment Co., Ltd.	15,871,153	12.38
Zhang, Rui-Min	7,576,000	5.91

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

Thinking Electronic Industrial Company Limited

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Thinking Electronic Industrial Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2020 is discussed as follows:

<u>Recognition of revenue from specific product</u>

The Company's principal business is manufacturing and selling of passive components. The Company recognized net sales of NT$3,219,769 thousand for the year ended December 31, 2020, and revenue from specific product had significantly increased than previous year. Therefore, the occurrence of sales of specific productis considered as a key audit matter. For the accounting policy on revenue recognition, refer to Note 4 (k) to the parent company only financial statements.

Our main audit procedures performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the internal control on revenue recognition and tested the operating effectiveness of the control.

2. We selected samples from the sales ledger and inspected the delivery documents and receipt bouchers and validated the occurrence of sales of specific product.

3. We verified that the revenue amounts recognized in the sales ledger were the same as those data recorded in the accounts receivable ledger.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

<u>*Notice to Readers*</u>

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

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	December 31, 2020		December 31, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,622,395	16	$ 851,095	10
Financial assets at amortized cost - current (Notes 4 and 7)	-	-	25,000	-
Notes receivable (Note 9)	5,324	-	4,966	-
Accounts receivable, net (Notes 4, 5 and 9)	800,840	8	779,439	9
Accounts receivable - related parties (Notes 9 and 28)	285,727	3	184,885	2
Other receivables	3,112	-	2,999	-
Other receivables - related parties (Note 28)	97	-	426	-
Inventories (Notes 4, 5 and 10)	207,713	2	321,261	4
Other current assets	18,764	-	32,897	1
Total current assets	2,943,972	29	2,202,968	26
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	39,481	-	26,918	-
Investments accounted for using the equity method (Notes 4 and 12)	6,434,738	63	5,397,746	64
Property, plant and equipment (Notes 4, 13, 28 and 30)	613,528	6	544,596	7
Right-of-use assets (Notes 4 and 14)	55,105	1	58,351	1
Other intangible assets (Note 4)	28,359	-	30,795	1
Deferred tax assets (Notes 4 and 23)	109,789	1	103,763	1
Prepayments for equipment	39,640	-	16,664	-
Net defined benefit assets - non-current (Notes 4 and 19)	11,407	-	5,884	-
Other financial assets - non-current (Notes 11 and 29)	31,115	-	28,853	-
Total non-current assets	7,363,162	71	6,213,570	74
TOTAL	$ 10,307,134	100	$ 8,416,538	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	$ 375,000	3	$ 100,000	1
Accounts payable (Note 16)	20,348	-	57,279	1
Accounts payable - related parties (Notes 16 and 28)	591,993	6	351,066	4
Other payables (Note 17)	286,293	3	209,269	2
Other payables - related parties (Note 28)	434	-	293,409	3
Current tax liabilities (Notes 4 and 23)	107,146	1	71,912	1
Lease liabilities - current (Notes 4 and 14)	929	-	1,525	-
Refund liabilities (Notes 4 and 18)	170,979	2	47,717	1
Other current liabilities (Notes 4 and 25)	2,459	-	1,980	-
Total current liabilities	1,555,581	15	1,134,157	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 15)	339,671	3	-	-
Deferred tax liabilities (Notes 4 and 23)	1,044,936	10	853,862	10
Lease liabilities - non-current (Notes 4 and 14)	54,723	1	56,996	1
Deferred revenue non-current (Notes 4 and 25)	6,728	-	-	-
Guarantee deposits received	130	-	130	-
Total non-current liabilities	1,446,188	14	910,988	11
Total liabilities	3,001,769	29	2,045,145	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Ordinary shares	1,281,127	13	1,281,127	15
Capital surplus	348,263	3	348,263	4
Retained earnings				
Legal reserve	1,020,206	10	908,264	11
Special reserve	284,655	3	107,627	1
Unappropriated earnings	4,572,550	44	4,010,767	48
Total retained earnings	5,877,411	57	5,026,658	60
Other equity	(201,436)	(2)	(284,655)	(3)
Total equity	7,305,365	71	6,371,393	76
TOTAL	$ 10,307,134	100	$ 8,416,538	100

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 21 and 28)				
Sales	$ 3,373,313	105	$ 3,187,620	102
Less: Sales returns and allowances	153,371	5	49,772	2
Operating revenue, net	3,219,942	100	3,137,848	100
OPERATING COSTS (Notes 10, 22 and 28)	2,041,760	63	2,085,057	67
GROSS PROFIT	1,178,182	37	1,052,791	33
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Notes 4 and 28)	(4,773)	-	(3,748)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	3,748	-	17,477	1
REALIZED GROSS PROFIT	1,177,157	37	1,066,520	34
OPERATING EXPENSES (Notes 4, 9, 22 and 28)				
Selling and marketing expenses	103,836	3	104,074	3
General and administrative expenses	180,239	6	155,502	5
Research and development expenses	105,417	3	103,092	3
Expected credit loss (gain)	(1,856)	-	427	-
Total operating expenses	387,636	12	363,095	11
PROFIT FROM OPERATIONS	789,521	25	703,425	23
NON-OPERATING INCOME AND EXPENSES (Notes 12, 22, 25 and 28)				
Interest income	11,287	-	11,846	1
Other income	30,405	1	9,478	-
Other gains and losses	(55,647)	(2)	(19,425)	(1)
Finance costs	(2,174)	-	(1,729)	-
Share of profit of subsidiaries	949,374	30	696,852	22
Total non-operating income and expenses	933,245	29	697,022	22
PROFIT BEFORE INCOME TAX	1,722,766	54	1,400,447	45
INCOME TAX EXPENSE (Notes 4 and 23)	337,750	11	284,457	9
NET PROFIT FOR THE YEAR	1,385,016	43	1,115,990	36

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020		2019	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 4,423	-	$ 3,737	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	12,563	1	(260)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method	272	-	435	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(885)	-	(747)	-
	16,373	1	3,165	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(200,966)	(6)	(166,285)	(5)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	289,286	9	(54,675)	(2)
Income tax related to items that may be reclassified subsequently to profit or loss	(17,664)	(1)	44,192	1
	70,656	2	(176,768)	(6)
Other comprehensive income (loss) for the year, net of income tax	87,029	3	(173,603)	(6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,472,045	46	$ 942,387	30
EARNINGS PER SHARE (Note 24)				
Basic	$ 10.81		$ 8.71	
Diluted	$ 10.78		$ 8.67	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

			Retained Earnings				Other Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity
BALANCE, JANUARY 1, 2019	$ 1,281,127	$ 348,263	$ 809,987	$ 38,365	$ 3,545,719	$ 4,394,071	$ (100,863)	$ (6,764)	$ (107,627)	$ 5,915,834
Appropriation of 2018 earnings (Note 20)										
Legal reserve	-	-	98,277	-	(98,277)	-	-	-	-	-
Special reserve	-	-	-	69,262	(69,262)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(486,828)	(486,828)	-	-	-	(486,828)
	-	-	98,277	69,262	(654,367)	(486,828)	-	-	-	(486,828)
Net profit for the year ended December 31, 2019	-	-	-	-	1,115,990	1,115,990	-	-	-	1,115,990
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	3,425	3,425	(176,768)	(260)	(177,028)	(173,603)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,119,415	1,119,415	(176,768)	(260)	(177,028)	942,387
BALANCE AT DECEMBER 31, 2019	1,281,127	348,263	908,264	107,627	4,010,767	5,026,658	(277,631)	(7,024)	(284,655)	6,371,393
Appropriation of 2019 earnings (Note 20)										
Legal reserve	-	-	111,942	-	(111,942)	-	-	-	-	-
Special reserve	-	-	-	177,028	(177,028)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(538,073)	(538,073)	-	-	-	(538,073)
	-	-	111,942	177,028	(827,043)	(538,073)	-	-	-	(538,073)
Net profit for the year ended December 31, 2020	-	-	-	-	1,385,016	1,385,016	-	-	-	1,385,016
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	3,810	3,810	70,656	12,563	83,219	87,029
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,388,826	1,388,826	70,656	12,563	83,219	1,472,045
BALANCE AT DECEMBER 31, 2020	$ 1,281,127	$ 348,263	$ 1,020,206	$ 284,655	$ 4,572,550	$ 5,877,411	$ (206,975)	$ 5,539	$ (201,436)	$ 7,305,365

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,722,766	$ 1,400,447
Adjustments for:		
Depreciation expense	68,555	64,120
Amortization expense	4,002	6,709
Expected credit (reversed) loss	(1,856)	427
Finance costs	2,174	1,729
Interest income	(11,287)	(11,846)
Share of profit of subsidiaries	(949,374)	(696,852)
Loss on disposal of property, plant and equipment, net	649	86
Loss on inventories	15,220	14,922
Unrealized gain on transactions with subsidiaries	4,773	3,748
Realized gain on transactions with subsidiaries	(3,748)	(17,477)
Recognition of provisions	125,250	24,000
Amortization of grants income	(125)	-
Other non-cash items	(299)	(31)
Changes in operating assets and liabilities		
Notes receivable	(358)	1,565
Accounts receivable	(19,545)	91,908
Accounts receivable - related parties	(100,842)	(60,399)
Other receivables	(261)	(29)
Other receivables - related parties	329	-
Inventories	98,328	70,453
Other current assets	14,133	(16,773)
Net defined benefit assets	(1,100)	(3,278)
Accounts payable	(36,931)	(9,516)
Accounts payable - related parties	240,927	(118,003)
Other payables	60,413	484
Other payables - related parties	(292,975)	(8,405)
Other current liabilities	(273)	(1,019)
Refund liabilities	(1,988)	(9,119)
Cash generated from operations	936,557	727,851
Interest received	11,435	11,604
Interest paid	(1,724)	(1,846)
Income tax paid	(136,017)	(167,167)
Net cash generated from operating activities	810,251	570,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	-	(25,000)
Proceeds from disposal of financial assets at amortized cost	25,000	-
Proceeds from disposal of investment accounted for using equity method	-	13,030
Acquisition of property, plant and equipment	(142,657)	(83,486)
Proceeds from disposal of property, plant and equipment	-	12

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	2020	2019
Decrease in other receivables - related parties	$ -	$ 44,814
Payment for intangible assets	(1,566)	(3,580)
Increase in other financial assets	(2,262)	(28,800)
Net cash used in investing activities	(121,485)	(83,010)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,709,000	255,000
Repayments of short-term borrowings	(1,434,000)	(155,000)
Proceeds from long-term borrowings	347,000	-
Repayments of long-term borrowings	-	(150,000)
Refund of guarantee deposits received	-	10
Repayments of the principal portion of lease liabilities	(1,393)	(1,389)
Cash dividends paid	(538,073)	(486,828)
Net cash generated from (used in) financing activities	82,534	(538,207)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	771,300	(50,775)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	851,095	901,870
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	$ 1,622,395	$ 851,095

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Thinking Electronic Industrial Co., Ltd. (the "Company") was incorporated in July 1979. The Company mainly manufactures, processes and sells electric devices, thermistors, varistors and wires.

The Company's shares have been listed on the Taiwan Stock Exchange since September 2000.

The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on March 22, 2021.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies:

Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the above-mentioned rent concessions happened only in 2020, the amendment has no impact on the retained earnings as of January 1, 2020.

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

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

As of the date the parent company only financial statements were authorized for issue, the Company assessed there was no significant impact that the application of other standards and interpretations will have on the Company's financial position and financial performance.

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

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

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

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

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

1) Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

2) The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

3) Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

1) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

2) The Company chose the accounting policy from options permitted by the standards;

3) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

4) The accounting policy relates to an area for which the Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or

5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, as of the date the parent company only financial statements were reported to the board of directors, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between the parent company only basis and consolidated basis are adjusted in the investments accounted for using the equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and

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

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

d. Foreign currencies

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

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

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

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting parent company only financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the

New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

e. Inventories

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

f. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

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

g. Property, plant, and equipment

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

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

Freehold land is not depreciated.

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

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

h. Intangible assets

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

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

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

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

ii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

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

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

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

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

i Internal or external information show that the debtor is unlikely to pay its creditors.

ii When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

The Company's financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

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

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

Refund liabilities are based on the historical experience and different contract items to estimate the probable sales returns and allowance.

l. Leases

When the Company is lessee, the Company assesses whether the contract is, or contains, a lease at the inception of a contract.

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

m. Borrowing costs

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

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

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received.

Government grants related to income are recognized in other income on a systematic basis over the period in which the Company recognized as expense the related cost that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan base on prevailing market interest rate.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sales of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 578	$ 573
Checking accounts	74	75
Demand deposits	999,525	525,652
Cash equivalents		
Time deposits with original maturities less than 3 months	622,218	324,795
	$ 1,622,395	$ 851,095

a. The market rate intervals of cash equivalents at the end of the years were as follows:

	December 31	
	2020	2019
Time deposits (%)	0.41-2.85	3.00-3.30

b. The Company transacted with variety of financial institutions which are high credit quality to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT - ONLY FOR DECEMBER 31, 2019

The market rate interval of time deposits with original maturities of more than 3 months was 0.65% per annum as of December 31, 2019.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 39,481	$ 26,918

These investments in equity instruments are not held for trading or for short-term gains. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
Notes receivable		
At amortized cost		
Gross carrying amount - operating	$ 5,324	$ 4,966

(Continued)

	December 31	
	2020	2019
Accounts receivable - non-related parties		
At amortized cost		
Gross carrying amount - operating	$ 815,862	$ 796,373
Less: Allowance for impairment loss	15,022	16,934
	$ 800,840	$ 779,439
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount - operating (Note 28)	$ 285,727	$ 184,885

(Concluded)

The Company's notes receivable and accounts receivable have been measured by amortized cost. Refer to Note 27 for information related to credit management policy.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Company writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

There were no notes receivable that were past due and not impaired at the end of the reporting years.

The following table details the loss allowance of accounts receivable (including related parties) based on the Company's provision matrix.

December 31, 2020

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 1,072,111	$ 1,411	$ 12,071	$ 2,162	$ 20	$ 13,814	$ 1,101,589
Loss allowance (Lifetime ECLs)	(422)	(7)	(121)	(648)	(10)	(13,814)	(15,022)
Amortized cost	$ 1,071,689	$ 1,404	$ 11,950	$ 1,514	$ 10	$ -	$ 1,086,567

December 31, 2019

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 935,421	$ 14,014	$ 12,992	$ 115	$ 4,845	$ 13,871	$ 981,258
Loss allowance (Lifetime ECLs)	(406)	(70)	(130)	(35)	(2,422)	(13,871)	(16,934)
Amortized cost	$ 935,015	$ 13,944	$ 12,862	$ 80	$ 2,423	$ -	$ 964,324

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 16,934	$ 16,507
Add: Net remeasurement (reversal) of loss allowance	(1,856)	427
Less: mounts written off	(56)	-
Balance at December 31	$ 15,022	$ 16,934

10. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 118,656	$ 195,640
Work-in-process	37,102	69,105
Raw materials	42,734	45,582
Supplies	3,053	2,821
Inventory in transit	6,168	8,113
	$ 207,713	$ 321,261

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was $2,041,760 thousand and $2,085,057 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2020	2019
Write-off obsolete inventories	$ 27,658	$ 25,123
Inventory reversed	(12,438)	(10,201)
	$ 15,220	$ 14,922

11. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Pledged time deposits	$ 28,800	$ 28,800
Refundable deposits	2,315	53
	$ 31,115	$ 28,853
Non-current	$ 31,115	$ 28,853
Interest rate (%)	0.57	0.82

For information on other financial assets pledged, refer to Note 29.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Not listed company		
Thinking (Changzhou) Electronic Co., Ltd. (Thinking Changzhou)	$ 1,814,089	$ 1,652,969
Greenish Co., Ltd. (Greenish)	1,918,837	1,742,627
Thinking Holding (Cayman) Co., Ltd. (Thinking Holding)	2,552,063	1,847,773
Yenyo Technology Co., Ltd. (Yenyo)	149,749	154,377
	$ 6,434,738	$ 5,397,746

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Thinking Changzhou	47.39%	47.39%
Greenish	100.00%	100.00%
Thinking Holding	100.00%	100.00%
Welljet Hong Kong Ltd. (Welljet)	-	-
Saint East Co., Ltd (Saint East)	-	-
Yenyo	52.61%	52.61%

Information of investments is in Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China”. The Company’s board of directors resolved in its meeting in May 2019 to liquidate and dissolve Saint East and Welljet for coordination of marketing supply and reintegration of the Company. The Company completed the liquidation process in September 2019 and October 2019, respectively, and recovering funds from investment (including capital gain) of NT$13,030 thousand.

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

13. PROPERTY, PLANT, AND EQUIPMENT

For the Year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2020	$ 142,020	$ 208,378	$ 528,752	$ 1,514	$ 191,567	$ 22,685	$ 1,094,916
Additions	2,665	286	46,086	-	6,339	81,328	136,704
Disposals	-	-	(6,349)	-	(143)	-	(6,492)
Balance at December 31, 2020	$ 144,685	$ 208,664	$ 568,489	$ 1,514	$ 197,763	$ 104,013	$ 1,225,128
Accumulated depreciation							
Balance at January 1, 2020	$ -	$ 78,177	$ 340,791	$ 1,395	$ 129,957	$ -	$ 550,320
Depreciation expense	-	5,417	39,450	26	22,230	-	67,123
Disposals	-	-	(5,700)	-	(143)	-	(5,843)
Balance at December 31, 2020	$ -	$ 83,594	$ 374,541	$ 1,421	$ 152,044	$ -	$ 611,600
Carrying amount at December 31, 2020	$ 144,685	$ 125,070	$ 193,948	$ 93	$ 45,719	$ 104,013	$ 613,528

For the Year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2019	$ 142,020	$ 206,681	$ 499,870	$ 1,514	$ 179,462	$ -	$ 1,029,547
Additions	-	1,697	43,363	-	12,492	22,685	80,237
Disposals	-	-	(14,481)	-	(387)	-	(14,868)
Balance at December 31, 2019	$ 142,020	$ 208,378	$ 528,752	$ 1,514	$ 191,567	$ 22,685	$ 1,094,916
Accumulated depreciation							
Balance at January 1, 2019	$ -	$ 72,654	$ 319,852	$ 1,368	$ 108,556	$ -	$ 502,430
Depreciation expenses	-	5,523	35,322	27	21,788	-	62,660
Disposals	-	-	(14,383)	-	(387)	-	(14,770)
Balance at December 31, 2019	$ -	$ 78,177	$ 340,791	$ 1,395	$ 129,957	$ -	$ 550,320
Carrying amounts at December 31, 2019	$ 142,020	$ 130,201	$ 187,961	$ 119	$ 61,610	$ 22,685	$ 544,596

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

Buildings	
Main plants	60 years
Improvement engineering	60 years
Machinery and equipment	8 years
Leasehold improvement	10 years
Others	5-6 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	$ 55,105	$ 58,351

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets - land	$ -	$ 31,199
Depreciation charge for right-of-use assets - land	$ 2,018	$ 1,559

Except for the recognized depreciation and additions, the Company did not have impairment or subleasing of right-of-use assets for the year ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 929	$ 1,525
Non-current	$ 54,723	$ 56,996

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	0.75-1.38	0.75-1.38

c. Material leasing activities and terms

The Company leases land and buildings located at Nanzih Export Processing Zone, for the use of plants with lease terms of 9 to 10 years. The government reserves the right to adjust the rent according to the assessed land value. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease periods. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 442	$ 559
Expenses relating to low-value asset leases	$ 412	$ 438
Total cash outflow for leases	$ 2,947	$ 2,795

15. BORROWINGS

a. Short - term borrowings

	December 31	
	2020	2019
Credit loans	$ 375,000	$ 100,000
Interest rate (%)	0.75-0.77	0.9

b. Long - term borrowings

	Contracts	December 31, 2020
Credit Loans	Effective from October 2020 to October 2027. Principal is repaid in 48 monthly payments from November, 2023	$ 347,000
Less: Government grants discount		7,329
Less: Due within one year		-
		$ 339,671

Borrowings under the "Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan" have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value with annual interest rate of 0.845% based on general condition. At the end of December 31, 2020, the annual interest rate of prime rate loan was 0.35%.

16. ACCOUNTS PAYABLE

The Company's accounts payable were from operating activities and were not secured by collaterals.

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms; therefore, no interest was charged on the outstanding accounts payable.

17. OTHER PAYABLES

	December 31	
	2020	2019
Payable for salaries and bonuses	$ 128,237	$ 101,877
Payable for employees' compensation	64,300	44,100
Payable for purchase of equipment	27,730	11,293
Payable for remuneration of directors	23,400	17,900
Others	42,626	34,099
	$ 286,293	$ 209,269

18. REFUND LIABILITIES

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 47,717	$ 32,836
Recognized	125,250	24,000
Usage	(1,988)	(9,119)
Balance at December 31	$ 170,979	$ 47,717

The discount on refund liabilities was based on historical experience, management's judgments and other known reasons to estimate sales compensation and offset refund liability when compensation actually occurs.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2020	**2019**
Present value of defined benefit obligation	$ 81,262	$ 86,681
Fair value of plan assets	(92,669)	(92,565)
Net defined benefit assets	$ (11,407)	$ (5,884)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Assets**
Balance at January 1, 2019	$ 88,339	$ (86,830)	$ 1,509
Service cost			
Current service cost	137	-	137
Net interest expense (income)	879	(887)	(8)
Recognized in profit or loss	1,016	(887)	129
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,008)	(3,008)
Actuarial gain - experience adjustments	(729)	-	(729)
Recognized in other comprehensive income	(729)	(3,008)	(3,737)
Contributions from the employer	-	(3,785)	(3,785)
Benefits paid	(1,945)	1,945	-
Balance at December 31, 2019	86,681	(92,565)	(5,884)
Service cost			
Current service cost	136	-	136
Net interest expense (income)	857	(933)	(76)
Recognized in profit or loss	993	(933)	60
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,764)	(2,764)
Actuarial loss-change in financial assumptions	935	-	935
Actuarial gain - experience adjustments	(2,594)	-	(2,594)
Recognized in other comprehensive income	(1,659)	(2,764)	(4,423)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Contributions from the employer	$ -	$ (1,160)	$ (1,160)
Benefits paid	(4,753)	4,753	-
Balance at December 31, 2020	$ 81,262	$ (92,669)	$ (11,407)

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

   The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate (%)	0.80	1.00
Expected rate of salary increase (%)	2.00	2.00

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

	December 31	
	2020	2019
Discount rate		
0.25% increase	$ (1,165)	$ (1,281)
0.25% decrease	$ 1,203	$ 1,324

(Continued)

	December 31	
	2020	2019
Expected rate of salary increase		
1% increase	$ 4,941	$ 5,450
1% decrease	$ (4,440)	$ (4,892)
		(Concluded)

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

	December 31	
	2020	2019
The expected contributions to the plans for the next year	$ 1,150	$ 3,500
Average duration of the defined benefit obligation (years)	9	10

20. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	140,000	140,000
Shares authorized	$ 1,400,000	$ 1,400,000
Number of shares issued and fully paid (in thousands)	128,113	128,113
Shares issued	$ 1,281,127	$ 1,281,127

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

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares (Note)		
Conversion of bonds	$ 265,446	$ 265,446
Issuance of ordinary shares	59,168	59,168
Treasury share transactions	23,649	23,649
	$ 348,263	$ 348,263

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to ordinary shares (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the dividends policy in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to stockholders.

The Company's dividend policy is also designed to meet the current and future development plans and takes into consideration the investment environment, capital needs, domestic or international competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute the dividends at no less than 30% of the distributable earnings of the current year. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 20% of total dividends.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from a special reserve amounts of certain items. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 15, 2020 and June 21, 2019, respectively. The appropriations of earnings for 2019 and 2018 were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For the Year Ended		For the Year Ended	
	2019	2018	2019	2018
Legal reserve	$ 111,942	$ 98,277		
Special reserve	177,028	69,262		
Cash dividends	538,073	486,828	$ 4.2	$ 3.8
	$ 827,043	$ 654,367		

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 22, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividend Per Share (NT$)
Legal reserve	$ 138,883	
Special reserve	(83,219)	
Cash dividends	704,620	$ 5.5
	$ 760,284	

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 25, 2021.

d. Other equity items

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (277,631)	$ (100,863)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(200,966)	(166,285)
Income tax benefit relating to exchange differences arising on translation of foreign operations	40,193	33,257
Share from subsidiaries accounted for using the equity method	289,286	(54,675)
Income tax benefit (expenses) relating to share from subsidiaries accounted for using the equity method	(57,857)	10,935
Balance at December 31	$ (206,975)	$ (277,631)

2) Unrealized gain/loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (7,024)	$ (6,764)
Recognized for the year		
Unrealized gain (loss) on financial assets at FVTOCI	12,563	(260)
Balance at December 31	$ 5,539	$ (7,024)

21. OPERATING REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	$ 3,219,769	$ 3,137,670
Service revenue	173	178
	$ 3,219,942	$ 3,137,848

a. Refer to Note 4 (k) for information related to contracts with customers.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable (Note 9)	$ 1,091,891	$ 969,290	$ 1,002,791

c. Disaggregation of revenue

Type of revenue	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Passive components	$ 3,219,769	$ 3,137,670
Service revenue	173	178
	$ 3,219,942	$ 3,137,848

22. NET PROFIT

Net profit included following items:

a. Interest income

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Bank deposits	$ 7,260	$ 11,600
Financial assets at amortized cost	97	92
Other (Note 28 f.)	3,930	154
	$ 11,287	$ 11,846

b. Other income

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Grants	$ 12,024	$ 3,257
Others (Note 28 f.)	18,381	6,221
	$ 30,405	$ 9,478

c. Other gains and losses

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Foreign exchange losses, net	$ (55,013)	$ (19,197)
Others	(634)	(228)
	$ (55,647)	$ (19,425)

d. Finance costs

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Interest expense of borrowings	$ 1,995	$ 1,384

(Continued)

	For the Year Ended December 31	
	2020	2019
Interest on lease liabilities	$ 700	$ 409
	2,695	1,793
Less: Amounts included in the cost of qualifying assets	(521)	(64)
	$ 2,174	$ 1,729

(Concluded)

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest amount	$ 521	$ 64
Capitalization rate (%)	0.35-1.23	1.23

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 67,123	$ 62,660
Right-of-use-assets	2,018	1,559
Other intangible assets	4,002	6,709
	73,143	70,928
Less: Amounts included in the cost of qualifying assets	(586)	(99)
	$ 72,557	$ 70,829
An analysis of depreciation by function		
Operating costs	$ 54,063	$ 48,610
Operating expenses	14,492	15,510
	$ 68,555	$ 64,120
An analysis of amortization by function		
Operating costs	$ 1,647	$ 1,566
Operating expenses	2,355	5,143
	$ 4,002	$ 6,709

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salary	$ 369,734	$ 316,837
Others	70,090	62,902
	439,824	379,739

(Continued)

	For the Year Ended December 31	
	2020	2019
Retirement benefits		
Defined contribution plans	$ 12,723	$ 12,352
Defined benefit plans (Note 19)	60	129
	12,783	12,481
	$ 452,607	$ 392,220
An analysis of employee benefits expense by function		
Operating costs	$ 172,891	$ 152,554
Operating expenses	279,716	239,666
	$ 452,607	$ 392,220

(Concluded)

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The appropriations of employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 22, 2021 and March 23, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Accrual rate		
Employees' compensation (%)	3.6	3.0
Remuneration of directors (%)	1.3	1.2
Amounts		
Employees' compensation	$ 64,300	$ 44,100
Remuneration of directors	23,400	17,900

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2019 and 2018.

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

23. INCOME TAX

a. Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 168,716	$ 131,742
Income tax on unappropriated earnings	8,319	14,017
Adjustments for prior years	(5,784)	543
	171,251	146,302
Deferred tax		
In respect of the current year	166,499	138,155
Income tax expense recognized in profit or loss	$ 337,750	$ 284,457

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	$ 1,722,766	$ 1,400,447
Income tax expense calculated at the statutory rate	$ 344,553	$ 280,090
Nondeductible expenses and tax-exempt income	(3,190)	161
Income tax on unappropriated earnings	8,319	14,017
Usage of investment credit	(9,865)	(11,225)
Unrecognized deductible temporary differences	3,717	871
Adjustments for prior years' tax	(5,784)	543
Income tax expense recognized in profit or loss	$ 337,750	$ 284,457

The applicable tax rate of the Company is 20%.

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

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Translation of foreign operations	$ (40,193)	$ (33,257)
Remeasurement on defined benefit plans	885	747
Share of other comprehensive income (loss) of subsidiaries by using equity method	57,857	(10,935)
Income tax recognized in other comprehensive income	$ 18,549	$ (43,445)

c. Current tax assets and liabilities

	December 31	
	2020	**2019**
Current tax liabilities		
Income tax payable	$ 107,146	$ 71,912

d. Deferred tax assets and liabilities

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

For the Year ended December 31, 2020

	Balance, Beginning of Year	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance, End of Year**
Deferred Tax Assets				
Temporary differences				
Unrealized loss on inventories	$ 9,372	$ (1,743)	$ -	$ 7,629
Unrealized gross profits	3,863	205	-	4,068
Unrealized refund liabilities	9,543	24,653	-	34,196
Share of other comprehensive income (loss) of subsidiaries for using the equity method	15,079	-	(57,857)	(42,778)
Exchange differences on translation of the financial statements of foreign operations	54,328	-	40,193	94,521
Others	11,578	1,460	(885)	12,153
	$ 103,763	$ 24,575	$ (18,549)	$ 109,789
Deferred Tax Liabilities				
Temporary differences				
Foreign investment income	$ 850,691	$ 190,854	$ -	$ 1,041,545
Others	3,171	220	-	3,391
	$ 853,862	$ 191,074	$ -	$ 1,044,936

For the Year ended December 31, 2019

	Balance, Beginning of Year	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance, End of Year**
Deferred Tax Assets				
Temporary differences				
Unrealized loss on inventories	$ 11,413	$ (2,041)	$ -	$ 9,372
Unrealized gross profits	6,356	(2,493)	-	3,863
Unrealized refund liabilities	6,567	2,976	-	9,543

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Share of other comprehensive income of subsidiaries for using the equity method	$ 4,144	$ -	$ 10,935	$ 15,079
Exchange differences on translation of the financial statements of foreign operations	21,071	-	33,257	54,328
Others	6,769	5,556	(747)	11,578
	$ 56,320	$ 3,998	$ 43,445	$ 103,763
Deferred Tax Liabilities				
Temporary differences				
Foreign investment income	$ 705,127	$ 145,564	$ -	$ 850,691
Others	6,582	(3,411)	-	3,171
	$ 711,709	$ 142,153	$ -	$ 853,862

e. Income tax assessments

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

24. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of EPS are as follows:

Net profit for the year

	For the Year Ended December 31 2020	2019
Net profit used in the computation of earnings per share	$ 1,385,016	$ 1,115,990

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

	For the Year Ended December 31 2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	128,113	128,113
Effect of potentially dilutive ordinary shares		
Compensation of employees	402	553
Weighted average number of ordinary shares used in the computation of diluted earnings per share	128,515	128,666

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. GOVERNMENT GRANTS

The Company obtained government loans of $347,000 thousand under the "Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan" which have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value at $339,395 thousand as of December 31, 2020 with annual interest rate 0.845% based on general condition. The difference amount of $7,605 thousand between acquisition amount and the fair value at December 31, 2020, had been classified as government's low interest grants and recognized as deferred revenue.

	For the Year Ended December 31, 2020
Balance at January 1	$ -
Deferred revenue in the reporting period	7,605
Realized revenue in the reporting period (in other income)	(125)
Balance at December 31	$ 7,480

Carrying amount of deferred revenue	**December 31, 2020**
Current (in other current liabilities)	$ 752
Non-current	6,728
	$ 7,480

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 39,481	$ 39,481

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 26,918	$ 26,918

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Financial assets	Equity Instruments Financial Assets at FVTOCI
Balance at January 1, 2020	$ 26,918
Recognized in other comprehensive income	12,563
Balanced at December 31, 2020	$ 39,481

For the year ended December 31, 2019

Financial assets	Equity Instruments Financial Assets at FVTOCI
Balance at January 1, 2019	$ 27,178
Recognized in other comprehensive loss	(260)
Balanced at December 31, 2019	$ 26,918

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted shares are determined using the market approach where the inputs are categories of business, values of same type of company and operation of company.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Financial assets at amortized cost (Note 1)	$ 2,745,949	$ 1,875,274
Financial assets at FVTOCI	39,481	26,918
Financial liabilities		
Amortized cost (Note 2)	1,613,869	1,011,153

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties, but exclude income tax refund receivable), other financial assets.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable (including related parties) and other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

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

1) Market risk

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

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which exposes the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting year are set out in Note 31.

<u>Sensitivity analysis</u>

The Company is mainly exposed to the risk from the fluctuation of USD and RMB.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Profit or loss	$ 12,558	$ 7,759	$ 6,171	$ 961

b) Interest rate risk

The interest rate risk of the Company is primarily related to its fixed interest rates of bank loans. The Company manages its interest rate risk by using interest rate swap contracts and forward interest rate contracts. Furthermore, total amount of the Company's cash and cash equivalents are considerably greater than the amount of bank loans which can process repayment procedure spontaneously. Therefore, interest rate risk does not have significant impact to the Company.

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	$ 653,333	$ 324,795
Financial liabilities	430,652	158,521
Cash flow interest rate risk		
Financial assets	999,525	579,452
Financial liabilities	339,671	-

Sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have been higher/lower by $6,599 thousand and by $5,795 thousand, respectively, which was mainly a result of the changes in the floating interest rate financial instrument.

2) Credit risk

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

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

3) Liquidity risk

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

Given that the Company's current assets are considerably higher than current liabilities. the Company has no liquidity risk.

28. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and its relationship with the Company

Related Party Name	Related Party Category
Thinking Changzhou	Subsidiaries
Thinking Yichang	Subsidiaries
Jiangxi Thinking	Subsidiaries
Yenyo	Subsidiaries
Dongguan Welkin	Subsidiaries
Welkin Electronic Industrial Co., Ltd. (Pingtung Welkin)	Related party in substance
Boh Chin Investment Co., Ltd. (Boh Chin Investment)	Related party in substance

b. Operating transactions

Apart from Notes 12 and Table 1, transaction with related parties were as follows:

Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Thinking Changzhou	$ 289,174	$ 299,024
Dongguan Welkin	195,989	-
Thinking Yichang	42,645	20,009
	$ 527,808	$ 319,033

The sale of goods to related parties was made at the cost plus gross profit prices. The term of collection was the same as non-related parties with 90 days from the end of the month when invoice is issued.

The amounts of unrealized gain on transactions with subsidiaries were $4,773 thousand and $3,748 thousand as of December 31, 2020 and 2019, respectively, which were recognized as the deduction of investments accounted for using the equity method.

Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Thinking Changzhou	$ 821,846	$ 821,814

(Continued)

Related Party Category/Name	For the Year Ended December 31 2020	2019
Dongguan Welkin	$ 403,759	$ -
Jiangxi Thinking	132,300	240,406
Thinking Yichang	109,801	151,188
Yenyo	2,373	-
	$ 1,470,079	$ 1,213,408

The purchase price with related parties was based on cost plus gross profit. The prices were not comparable due to the Company has no other similar category of purchases with non-related parties. The term of collection was 90 days from the ended of the month when invoice is issued.

c. Other transactions with related parties

1) Consigned processing

Related Party Category/Name	For the Year Ended December 31 2020	2019
Subsidiaries		
Dongguan Welkin	$ 169,718	$ 443,804
Related party in substance		
Pingtung Welkin	574	215
	$ 170,292	$ 444,019

The price and payment terms with substance related parties were not comparable due to the Company has no other consigned processing business with non-related parties. The payment term was between 30 to 60 days from the end of the month when invoice is issued.

2) Consigned purchases and transaction of property

Related Party Category/Name	For the Year Ended December 31 2020	2019
Subsidiaries		
Thinking Yichang	$ 193	$ 1,224

The gains on consigned purchases from subsidiaries were $5 thousand and $61 thousand for the years ended December 31, 2020 and 2019, respectively, which were recognized as deduction of investments accounted for using the equity method.

The amounts of unrealized gain on consigned purchases and transaction of property with subsidiaries were $0 and $52 thousand as of December 31, 2020 and 2019, respectively, which were recognized as deduction of investments accounted for using the equity method. The unrealized gain will be amortized into gain from disposal of property, plant and equipment and other income within the following 5 to 10 years.

3) Lease arrangements

Line Item	Related Party Category /Name	For the Year Ended December 31 2020	2019
Lease expense	Related Party in Substance - Boh Chin Investment	$ 480	$ 480

The lease contract between the Company and related parties in substance is based on the market rental agreement under general payment terms.

d. Ending balance

	December 31 2020	2019
Accounts receivable - related parties		
Subsidiaries		
Thinking Changzhou	$ 155,073	$ 176,054
Dongguan Welkin	129,816	-
Thinking Yichang	838	8,831
	$ 285,727	$ 184,885
Other receivables - related parties		
Subsidiaries		
Thinking Yichang	$ 97	$ 426
Accounts payable - related parties		
Subsidiaries		
Dongguan Welkin	$ 337,910	$ -
Thinking Changzhou	221,925	264,050
Thinking Yichang	31,937	24,985
Yenyo	221	-
Jiangxi Thinking	-	62,031
	$ 591,993	$ 351,066
Other payables - related parties		
Subsidiaries		
Dongguan Welkin	$ -	$ 293,345
Thinking Changzhou	-	26
Related party in substance		
Pingtung Welkin	434	38
	$ 434	$ 293,409

The nature of other payable - related parties (Dongguan Welkin) was processing expense.

e. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	**2019**
Short-term employee benefits	$ 88,018	$ 67,433
Post-employment benefits	1,028	1,133
	$ 89,046	$ 68,566

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

f. Others

The Company's audit committee had authorized the independent director that represent the Company to lodge a claim for refund of the tax penalty in the amount of $21,185 thousand (including interest). Such tax penalty resulted from the chairman who violated tax regulations in the past year. The refund had been received on October 19, 2020, and recognized $3,844 thousand and $17,341 thousand as interest income and other income, respectively.

29. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Company provided the following assets as collateral for deposits of construction contract:

	December 31	
	2020	**2019**
Pledged deposits (classified as other financial assets)	$ 28,800	$ 28,800

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments due to the plants under construction and equipment were as follows:

	December 31	
	2020	**2019**
Acquisition of property, plant and equipment	$ 68,675	$ 15,367

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
December 31, 2020				
Financial assets				
Monetary items				
USD	$ 64,593	28.4800	(USD:NTD)	$ 1,839,609
RMB	145,713	4.3597	(RMB:NTD)	635,265
Non-monetary items				
Investment accounted for using the equity method				
USD	156,984	28.4800	(USD:NTD)	4,470,900
RMB	416,104	4.3597	(RMB:NTD)	1,814,089
Financial liabilities				
Monetary items				
USD	20,499	28.4800	(USD:NTD)	583,812
RMB	4,173	4.3597	(RMB:NTD)	18,193
December 31, 2019				
Financial assets				
Monetary items				
USD	35,384	30.0200	(USD:NTD)	1,062,218
RMB	114,153	4.3006	(RMB:NTD)	490,922
Non-monetary items				
Investment accounted for using the equity method				
USD	119,600	30.0200	(USD:NTD)	3,590,400
RMB	384,358	4.3006	(RMB:NTD)	1,652,969
Financial liabilities				
Monetary items				
USD	9,515	30.0200	(USD:NTD)	286,359
RMB	90,128	4.3006	(RMB:NTD)	394,825

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	Exchange Rate		Net Foreign Exchange Gains (Losses)
December 31, 2020			
USD	28.4800	(USD:NTD)	$ (19,978)
RMB	4.3597	(RMB:NTD)	2,394
			$ (17,584)

(Continued)

Foreign Currency	Exchange Rate		Net Foreign Exchange Losses
December 31, 2019			
USD	30.0200	(USD:NTD)	$ (17,241)
RMB	4.3006	(RMB:NTD)	(410)
			$ (17,651)

(Concluded)

32. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

1) Financing provided to others: Table 1.

2) Endorsement/guarantee provided: None.

3) Marketable securities held (excluding investment in subsidiaries): Table 2.

4) Marketable securities acquired or disposed of at cost or price of at least NT$300 million or 20% of the paid-in capital: Table 3.

5) Acquisition of individual real estate at cost of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

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

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Trading in derivative instruments: None.

10) Information on investees: Table 6.

b. Information on investments in Mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China areas: Table 7.

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

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.

c) The amount of property transactions and the amount of the resultant gains or losses: Refer to Note 28.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.

e) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

c. Information of major shareholders

List of all shareholders with ownership of 5 percent or greater, showing the names and the number of shares and percentage of ownership held by each shareholder: Table 8

33. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements; the parent company financial statements do not need to disclose segment information.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
1	Thinking Changzhou	Guangdong Welkin Thinking	Other receivables - related parties	Y	$ 108,994 (CNY 25,000 thousand)	$ 108,994 (CNY 25,000 thousand)	$ 63,615 (CNY 15,000 thousand)	4.35	Note 1	$ -	Operating capital	$ -	-	$ -	$ 1,120,143	$ 1,493,525	

Note 1: Short-term financing.

Note 2: The total amounts of financing provided should not exceed 40% of the shareholders' equity of Thinking Changzhou and financing provided to any single entity should not exceed 30% of the shareholders' equity of Thinking Changzhou. For foreign companies of which Thinking Changzhou holds, directly and indirectly 100% of the voting share, the financing provided to any single entity should not exceed 100% of the net equity worth of Thinking Changzhou.

TABLE 2

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	ACPA TECHNOLOGY CO., LTD.	-	Financial assets at FVTOCI - non-current	2,469,130	$ 39,481	11	$ 39,481	
Thinking Changzhou	RMB financial products							
	"E-Lingtong" net worth type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 26,223 thousand	-	CNY 26,223 thousand	
	Wishful Life V - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 120,000 thousand	-	CNY 120,000 thousand	
	Yuntong Wealth Long-lasting pension - Bank of Communications	-	Financial assets at FVTPL - current	-	CNY 500 thousand	-	CNY 500 thousand	
	Structured Deposit Monthly Profit - Fubon Bank (China)	-	Financial assets at FVTPL - current	-	CNY 80,000 thousand	-	CNY 80,000 thousand	
Thinking Yichang	RMB financial products							
	"Qianyuan-Hengying" (90 days) periodic open net worth type - China Construction Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	"Xpress E" Special Account Customization - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 25,000 thousand	-	CNY 25,000 thousand	
	"Tian Libao" Net Worth Type - Industrial and Commercial Bank of China	-	Financial assets at FVTPL - current	-	CNY 6,000 thousand	-	CNY 6,000 thousand	
	Stable Financial Plan-Wisdom Series - Bank of China	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	
Jiangxi Thinking	RMB financial products							
	Juyishengjin - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 11,750 thousand	-	CNY 11,750 thousand	
	Stable Financial Management Plan-Wisdom Series - Bank of China	-	Financial assets at FVTPL - current	-	CNY 11,000 thousand	-	CNY 11,000 thousand	
	Accumulate every day-daily plan - Bank of China	-	Financial assets at FVTPL - current	-	CNY 1,360 thousand	-	CNY 1,360 thousand	
Guangdong Welkin Thinking	RMB financial products							
	Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	People add profit - E. Sun Commercial Bank	-	Financial assets at FVTPL - current	-	CNY 1,000 thousand	-	CNY 1,000 thousand	
Dongguan Welkin	RMB financial products							
	Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 15,000 thousand	-	CNY 15,000 thousand	
	Increase profit B - China Merchants Banks	-	Financial assets at FVTPL - current	-	CNY 20,000 thousand	-	CNY 20,000 thousand	
	People add profit - E. Sun Commercial Bank	-	Financial assets at FVTPL - current	-	CNY 5,000 thousand	-	CNY 5,000 thousand	

TABLE 3

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Carrying Amount	Gain/Loss on Disposal	Number of shares	Amount
Thinking Changzhou	RMB financial products													
	Qian Yuan Tianfu	Financial assets at FVTPL - current	China Construction Bank		-	CNY 55,000 thousand	-	CNY 40,000 thousand	-	CNY 97,455 thousand	CNY 95,000 thousand	CNY 2,455 thousand	-	-
	"E-Lingtong" net worth type	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 12,239 thousand	-	CNY 316,484 thousand	-	CNY 303,844 thousand	CNY 302,500 thousand	CNY 1,344 thousand	-	CNY 26,223 thousand
	Wishful Life V	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 28,000 thousand	-	CNY 160,000 thousand	-	CNY 69,225 thousand	CNY 68,000 thousand	CNY 1,225 thousand	-	CNY 120,000 thousand
	Accumulate every day-daily plan	Financial assets at FVTPL - current	Bank of China		-	CNY 3,500 thousand	-	CNY 85,000 thousand	-	CNY 88,613 thousand	CNY 88,500 thousand	CNY 113 thousand	-	-
	Stable Financial Plan-Wisdom Series	Financial assets at FVTPL - current	Bank of China		-	CNY 50,000 thousand	-	CNY 20,000 thousand	-	CNY 71,338 thousand	CNY 70,000 thousand	CNY 1,338 thousand	-	-
	Structured Deposit Monthly Profit	Financial assets at FVTPL - current	Fubon Bank (China)		-	-	-	CNY 80,000 thousand	-	-	-	-	-	CNY 80,000 thousand
Thinking Yichang	RMB financial products													
	"Xpress E" Special Account Customization	Financial assets at FVTPL - current	Industrial and Commercial Bank of China		-	CNY 5,000 thousand	-	CNY 65,000 thousand	-	CNY 45,415 thousand	CNY 45,000 thousand	CNY 415 thousand	-	CNY 25,000 thousand
Jiangxi Thinking	RMB financial products													
	Juyishengjin	Financial assets at FVTPL - current	China Merchants Bank		-	CNY 20,500 thousand	-	CNY 61,910 thousand	-	CNY 71,059 thousand	CNY 70,660 thousand	CNY 399 thousand	-	CNY 11,750 thousand
	Accumulate every day-daily plan	Financial assets at FVTPL - current	Bank of China		-	-	-	CNY 62,790 thousand	-	CNY 61,496 thousand	CNY 61,430 thousand	CNY 66 thousand	-	CNY 1,360 thousand
Dongguan Welkin	RMB financial products													
	Point Gold Series Structured Deposit	Financial assets at FVTPL - current	China Merchants Bank		-	-	-	CNY 150,000 thousand	-	CNY 135,692 thousand	CNY 135,000 thousand	CNY 692 thousand	-	CNY 15,000 thousand

TABLE 4

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Receivable) Payable		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% of Total	
The Company	Thinking Changzhou	Subsidiary	Sales	$ (289,174)	(9)	90 days from the end of the month	$ -	-	$ (155,073)	(14)	
	Thinking Changzhou	Subsidiary	Purchases	821,846	45	90 days from the end of the month	-	-	221,925	25	
	Dongguan Welkin	Subsidiary	Sales	(195,989)	(6)	90 days from the end of the month	-	-	(129,816)	(12)	
	Dongguan Welkin	Subsidiary	Purchases	403,759	22	90 days from the end of the month	-	-	337,910	38	
	Dongguan Welkin	Subsidiary	Processing	169,718	9	From the end of the month when invoice is issued by T/T	-	-	-	-	
	Jiangxi Thinking	Subsidiary	Purchases	132,300	7	90 days from the end of the month	-	-	-	-	
	Thinking Yichang	Subsidiary	Purchases	109,801	6	90 days from the end of the month	-	-	31,937	4	
Thinking Changzhou	Jiangxi Thinking	Associate	Sales	(156,407)	(6)	90 days from the end of the month	-	-	(76,675)	(7)	
	Guangdong Welkin Thinking	Associate	Sales	(197,795)	(8)	90 days from the end of the month	-	-	(36,927)	(3)	
Thinking Yichang	Guangdong Welkin Thinking	Associate	Sales	(481,387)	(52)	90 days from the end of the month	-	-	(164,519)	(42)	
	Jiangxi Thinking	Associate	Purchases	179,872	33	90 days from the end of the month	-	-	82,242	38	
Guangdong Welkin Thinking	Dongguan Welkin	Associate	Processing	158,362	13	From the end of the month when invoice is issued by T/T	-	-	-	-	
	Dongguan Welkin	Associate	Purchases	318,119	25	90 days from the end of the month	-	-	315,570	44	
Jiangxi Thinking	Dongguan Welkin	Associate	Sales	(162,192)	(28)	90 days from the end of the month	-	-	(160,095)	(59)	

TABLE 5

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Thinking Changzhou	Subsidiary	$ 155,073	1.75	$ -	-	$ 68,481	$ -
	Dongguan Welkin	Subsidiary	129,816	3.02	-	-	23,971	-
Thinking Changzhou	The Company	Parent company	221,925	3.38	-	-	115,773	-
Thinking Yichang	Guangdong Welkin Thinking	Associate	164,519	3.23	-	-	118,537	-
Dongguan Welkin	The Company	Parent company	337,910	1.28	-	-	212,663	-
	Guangdong Welkin Thinking	Associate	315,570	1.72	-	-	141,732	-
Jiangxi Thinking	Dongguan Welkin	Associate	160,095	2.03	-	-	21,706	-

TABLE 6

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of shares	Percentage of ownership (%)	Carrying Amount			
The Company	Yenyo	Yilan	Processing, sales and manufacturing of diodes	$ 275,160	$ 275,160	21,232,508	52.61	$ 149,749	$ (9,312)	$ (4,900)	Note 1
	Greenish	British Virgin Island	Investment holding and international trading	242,300 (US$ 7,375 thousand)	242,300 (US$ 7,375 thousand)	7,374,997	100	1,918,837	234,076	232,338	Note 1
	Thinking Holding	Cayman	Investment holding and international trading	770,212 (US$ 24,729 thousand)	770,212 (US$ 24,729 thousand)	24,728,858	100	2,552,063	568,755	505,755	Note 1
Thinking Holding	Thinking International	Mauritius	Investment holding and international trading	196,512 (US$ 6,075 thousand)	195,017 (US$ 6,025 thousand)	6,075,000	100	954,972	155,840	155,840	
	Thinking HK	Hong Kong	Investment holding and international trading	311,109 (US$ 10,020 thousand)	311,109 (US$ 10,020 thousand)	10,020,000	100	625,927	85,350	85,350	
	View Full Samoa	Samoa	Investment holding and international trading	155,108 (US$ 5,055 thousand)	155,108 (US$ 5,055 thousand)	5,055,000	100	946,158	288,150	288,150	
	Thinking Samoa	Samoa	Investment holding and international trading	76,294 (US$ 2,599 thousand)	76,294 (US$ 2,599 thousand)	2,598,858	100	100,197	38,266	38,266	

Note 1: The share of profits or losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: Information of investees which located in mainland China, refer to Table 7.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss)of the Investee	Percentage of Ownership Direct or Indirect Investment	Investment Gain (Loss) (Note 7)	Carrying Amount as of December 31, 2020 (Note 7)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Thinking Changzhou	Manufacturing and selling thermistors, varistors and sensors	US$ 21,260 thousand	Note 1	$ 452,725	$ -	$ -	$ 452,725	$ 459,452	100	$ 456,149	$3,681,581	$ 739,210 (US$ 24,148)	Notes 10
Thinking Yichang	Manufacturing and selling thermistors, varistors and sensors	US$ 6,000 thousand	Note 2	194,170	-	-	194,170	155,909	100	155,909	953,392	-	-
Jiangxi Thinking	Manufacturing and selling thermistors and varistors	US$ 10,000 thousand	Note 3	310,330	-	-	310,330	85,381	100	85,381	625,650	-	-
Guangdong Welkin Thinking	Selling thermistors, varistors, sensors and equipment	US$ 5,000 thousand	Note 4	153,547	-	-	153,547	163,790	100	163,790	386,840	-	-
Dongguan Welkin	Manufacturing and processing thermistors, varistors, sensors and equipment	CNY$ 84,050 thousand	Note 5	75,535	-	-	75,535	277,401	100	277,401	974,197	-	-
Zhongshan Welkin	Manufacturing and selling thermistors, varistors	$ -	Note 6	-	-	-	-	-	-	-	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$1,186,307 (US$37,209 thousand)	$797,355 (US$27,997 thousand) (Note 8)	$4,383,219 (Note 9)

Note 1: Indirectly investment in mainland China through Greenish which was registered in the third area. The Company increased the amount of indirect investments in mainland China through Greenish since 2003.

Note 2: Indirectly investment in mainland China through companies registered in the third area (Thinking International).

Note 3: Indirectly investment in mainland China through companies registered in the third area (Thinking HK).

Note 4: Indirectly investment in mainland China through companies registered in the third area (View Full Samoa).

Note 5: Indirectly investment in mainland China through companies registered in the third area, View Full Samoa and Thinking Samoa and the subsidiary, Thinking Changzhou.

Note 6: The board of directors had decided to establish the Company through the subsidiary (Dongguan Welkin), and has been registered at December, 2020. At the end of December 31, 2020, the Company have no outward remittance for investments.

Note 7: Financial report had been audited by ultimate parent company's certified public accountant.

Note 8: Indirectly investment in mainland China through companies registered in the third area. The investment amount approved by MOEA was US$39,478 thousand. The remaining amount had deducted earnings repatriation which was approximately US$11,481 thousand. The balance amount at December 31, 2020 was based on US to TWD exchange rate of 28.48.

Note 9: The upper limit on investment in main land China is determined by 60% of the Company's consolidated net worth.

Note 10: The Company recognized share of profits of Thinking Changzhou was $216,182 thousand, and Greenish recognized share of profits of Thinking Changzhou was $239,967 thousand. Total amount of share of profits was $456,149 thousand. The difference between total amount of share of profits and the net income of Thinking Changzhou resulted from unrealized gross profit on intercompany transactions.

THINKING ELECTRONIC INDUSTRIAL CO., LTD

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Boh Chin Investment Co., Ltd.	27,178,247	21.21
Yih Chin Investment Co., Ltd.	15,871,153	12.38
Zhang, Rui-Min	7,576,000	5.91

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

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Amount
Petty cash and cash on hand		$ 578
Bank deposit		
Deposit of NTD		
Checking accounts		74
Demand deposits		118,342
Foreign currency deposits		
Demand deposits	Including USD29,286 thousand, HKD3,474 thousand, JPY23,671 thousand, EUR785 thousand and RMB89 thousand (Note)	881,183
Cash equivalents		
Time deposits with original maturities less than 3 months		
Deposit of NTD		
Foreign currency deposits	Including RMB77,394 thousand and USD10,000 thousand, with annual interest rate of 2.6%-2.85% and 0.41% The expiry date of foreign currency deposits is March 2021.	622,218
		$ 1,622,395

Note: Foreign currency exchange rates of USD, HKD, JPY, EUR and RMB were as follows USD1=NTD28.48, HKD1=NTD3.673, JPY1=NTD0.2757, EUR1=NTD34.94 and RMB1=NTD4.3597.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount
Company A	Sale of goods	$ 1,652
Company B	Sale of goods	552
Company C	Sale of goods	531
Company D	Sale of goods	360
Company E	Sale of goods	353
Company F	Sale of goods	306
Others (Note)	Sale of goods	1,570
		$ 5,324

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Amount	Over a Year	Remark
Related parties			
Thinking Changzhou	$ 155,073	$ -	Sale of goods
Dongguan Welkin	129,816	-	Sale of goods
Thinking Yichang	838	-	Sale of goods
	285,727		
Non-related parties (Note)	815,862	13,814	Sale of goods
Less: Loss allowance	15,022	$ 13,814	
	800,840		
	$ 1,086,567		

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount	Remark
Related parties		
Thinking Yichang	$ 97	Transaction of consigned purchases
Non-related parties		
Income tax refund receivable	2,661	Business tax
Earned revenue receivable	451	
	3,112	
	$ 3,209	

STATEMENT 5

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Cost	Net Realizable Value (Note)
Finished goods	$ 118,656	$ 187,257
Work-in-process	37,102	67,610
Raw materials	42,734	43,603
Supplies	3,053	3,085
Inventory in transit	6,168	6,168
	$ 207,713	$ 307,723

Note: Refer to Note 4 for accounting policy of net realizable value.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER CURRENT ASSETS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Prepayment for purchases	$ 3,976
Prepaid expenses	9,044
Office supplies	2,314
Others	3,430
	$ 18,764

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2020		Additions in Investment			Decrease in Investment			Balance, December 31, 2020			Market Value or Net Assets Value		Collateral	Note
	Shares	Amount	Shares	Amount		Shares	Amount		Shares	% of Ownership	Amount	Unit Price	Total Amount		
Non-listed company															
Yenyo	21,232,508	$ 154,377	-	$ 272		-	$ 4,900		21,232,508	52.61	$ 149,749	$ 7.29	$ 154,857	None	
Greenish	7,374,997	1,742,627	-	176,210		-	-		7,374,997	100.00	1,918,837	264.10	1,947,739	None	
Thinking Changzhou	10,075,514	1,652,969	-	161,120		-	-		10,075,514	47.39	1,814,089	175.65	1,769,784	None	
Thinking Holding	24,728,858	1,847,773	-	704,290		-	-		24,728,858	100.00	2,552,063	107.35	2,654,577	None	
		$ 5,397,746		$ 1,041,892	(Note 1)		$ 4,900	(Note 2)			$ 6,434,738		$ 6,526,957		

Note 1: Share of profits using the equity method, realized gain on transactions in the beginning of year, exchange differences on translation of the financial statements of foreign operations remeasurements of the net defined benefit liability and deduction of unrealized gain on transactions at the end of the year amounted to $954,274 thousand, $3,799 thousand, $88,320 thousand, $272 thousand and $4,773 thousand.

Note 2: Share of losses accounted for using the equity method amounted to $4,900 thousand.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Market Value or Net Assets Value			
Investees	Shares	Fair Value	Shares	Amount (Note 1)	Shares	Amount	Shares	Fair Value (Note 2)	Accumulated Impairment	Collateral
Non-listed company's stock										
ACPA TECHNOLOGY CO., LTD.	2,469,130	$ 26,918	-	$ 12,563	-	$ -	2,469,130	$ 39,481	$ -	None

Note 1: Recognized as unrealized other comprehensive gain of financial assets at fair value.

Note 2: Refer to Note 27 for fair value measurement.

STATEMENT 9

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2020	Additions	Deductions	Balance at December 31, 2020
Cost				
Land	$ 59,910	$ -	$ (1,228)	$ 58,682
Accumulated depreciation				
Land	(1,559)	(2,018)	-	(3,577)
	$ 58,351	$ (2,018)	$ (1,228)	$ 55,105

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Type of Borrowings and Bank Name	Contract Period	Interest Rates for the Year (%)	Balance of December 31, 2020
Credit Loans			
Citibank, N.A.	2020.09.16-2021.03.15	0.75	$ 175,000
CTBC Bank	2020.09.10-2021.03.10	0.77	200,000
			$ 375,000

Note: At the end of December 31, 2020, the amount of unused short-term borrowings was approximately $1,881,000 thousand.

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Dongguan Welkin	$ 337,910
Thinking Changzhou	221,925
Thinking Yichang	31,937
Yenyo	221
	591,993
Non-related parties	
Company G	2,842
Company H	2,657
Company I	1,793
Company J	1,734
Company K	1,201
Others (Note)	10,121
	20,348
	$ 612,341

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Temporary receipts	$ 360
Withholding	1,347
Deferred revenue	752
	$ 2,459

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Lease Term	Discount Rate (%)	Balance of December 31, 2019
Land	2016.06-2030.10	0.75-1.38	$ 55,652
Less: Lease liabilities - current			929
Lease liabilities - non-current			$ 54,723

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Shipments (Thousand PCS)	Amount
Revenue from sale of goods		
Passive components	6,247,599	$ 3,219,769
Service revenue		173
		$ 3,219,942

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of merchandise	
Merchandise, beginning of year	$ 702
Merchandise purchased	16,464
Merchandise, end of year	-
Others	(735)
Total cost of merchandise	16,431
Production cost	
Raw material used	
Raw material, beginning of year	45,582
Raw material purchased	171,742
Raw material, end of year	(42,734)
Others	(17,691)
	156,899
Supplies used	23,542
Direct labor	116,432
Manufacturing expense	366,845
Manufacturing cost	663,718
Work-in-process, beginning of year	69,105
Work-in-process purchased	154,298
Work-in-process, end of year	(37,102)
Others	19,821
Cost of finish goods	869,840
Finish goods, beginning of year	194,938
Finish goods purchased	1,302,898
Finish goods, end of year	(118,656)
Others	(190,907)
Total of production cost	2,058,113
Other operating cost	
Reversal of inventory write-downs	(12,438)
Income from sale of scraps	(3,964)
Loss on obsolete inventory	27,658
Others	(44,040)
	(32,784)
	$ 2,041,760

TATEMENT 16

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries	$ 43,090	$ 115,053	$ 68,162	$ 226,305
Export expense	22,382	-	-	22,382
Professional service fees	3,822	6,517	1,239	11,578
Commission expense	5,794	-	-	5,794
Depreciation expense	838	4,581	9,073	14,492
Utilities expense	105	747	1,852	2,704
Remuneration of directors	-	23,400	-	23,400
Consumption supplies	182	55	7,049	7,286
Shipping expense	5,798	631	97	6,526
Others	21,825	29,255	17,945	69,025
	$ 103,836	$ 180,239	$ 105,417	389,492
Gain on reversal of expected credit loss				(1,856)
				$ 387,636

TATEMENT 17

THINKING ELECTRONIC INDUSTRIAL CO., LTD.

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

	For the Year Ended December 31					
	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Labor cost						
Salary and bonuses	$ 143,429	$ 226,305	$ 369,734	$ 124,617	$ 192,220	$ 316,837
Labor and health insurance	12,293	14,579	26,872	11,743	14,362	26,105
Pension	6,159	6,624	12,783	5,919	6,562	12,481
Remuneration of directors	-	23,400	23,400	-	17,900	17,900
Others	11,010	8,808	19,818	10,275	8,622	18,897
	$ 172,891	$ 279,716	$ 452,607	$ 152,554	$ 239,666	$ 392,220
Depreciation	$ 54,063	$ 14,492	$ 68,555	$ 48,610	$ 15,510	$ 64,120
Amortization	1,647	2,355	4,002	1,566	5,143	6,709

Note: a. As of December 31, 2020 and 2019, the Company had 439 and 437 employees, respectively. There were 5 non-employee director for both of the reporting period.

b. The average employee welfare expense for the years ended December 31, 2020 and 2019 was $989 thousand and $866 thousand, respectively.

c. The average employee salary and bonuses for the years ended December 31, 2020 and 2019 was $852 thousand and $733 thousand, respectively.

d. Change in the average employee salary and bonuses was 16%.

e. The Company has established an audit committee to replace the role of supervisor, so it has no remuneration for supervisor.

f. The Company's salary and remuneration policy (including directors, supervisors, managers and employees).

1) Director

The Company's remuneration of directors are distributed in accordance with the Articles of Incorporation. Please refer to Note 22 (g) for related regulations. The remuneration will be adjusted based on the Company's operating conditions and the related regulations. In consideration of the Company's sustainable development, the remuneration of directors will be submitted to the compensation committee and the board of directors for approval.

(Continued)

2) Manager

Based on the "Rules for Distribution of Compensation to Managers", the Company's compensation committee will take the manager's services provided and standards of the industry into consideration.

Monthly salary: Depending on the manager's job tenure and the value of job title. Salary movement should not exceed 150% of the industry standards.

Variable salary: Depending on the Company's operating condition, including bonuses and employee remuneration.

3) Employee

The principle of the Company's employee salary system stands on fairness and competitiveness. Employee salary includes monthly salary and variable salary. For the total amount of remuneration of employees, please refer to Note 22 (g). Salary of employee is distributed according to the "Regulation of Salary" and according to the employee's duties and professional skills. Remuneration of employee is also distributed according to the "Regulation of Distribution of Cash and Shares Dividends" and according to the employee's performance and contribution to the Company.

(Concluded)

VII. Review and Analysis of Financial Conditions, Operating Results, and Risk Management

7.1 Review and Analysis of Financial Status

Unit: NTD Thousand

Entry \ Year	2020	2019	Difference	
			Amount	%
Current asset	8,084,389	6,067,809	2,016,580	33
Property, plant and equipment	2,174,967	2,031,402	143,565	7
Other assets	771,304	651,304	120,000	18
Total assets	11,030,660	8,750,515	2,280,145	26
Current liabilities	2,051,426	1,254,736	796,690	63
Non-current liabilities	1,534,447	980,796	553,651	56
Total liabilities	3,585,873	2,235,532	1,350,341	60
Equity attributable owners of the company	7,305,365	6,371,393	933,972	15
Ordinary shares	1,281,127	1,281,127	-	-
Capital surplus	348,263	348,263	-	-
Retained earnings	5,877,411	5,026,658	850,753	17
Other equities	(201,436)	(284,655)	83,219	(29)
Non-controlling interest	139,422	143,590	(4,168)	(3)
Total shareholders' equities	7,444,787	6,514,983	929,804	14

i. Analysis of increases/decreases over 20%:

(1) Current assets and total assets increased mainly because of the increase in cash and cash equivalents and Financial assets at fair value through profit or loss.

(2) Liabilities increased mainly because of the increase in borrowings for the year.

(3) Other equities increased mainly because of the difference in exchange from the conversion of financial statements of overseas operating institutions caused by fluctuating exchange rates.

7.2 Review and Analysis of Operating Results

Unit: NTD Thousand

Entry \ Year	2020	2019	Difference	
			Amount	%
Operating revenue, net	5,920,258	5,814,232	106,026	2
Gross profit	2,714,605	2,340,329	374,276	16
Profit from operations	1,843,142	1,448,901	394,241	27
Non-operating income and expenses	24,191	64,786	(40,595)	(63)
Profit before income tax	1,867,333	1,513,687	353,646	23
Income tax expense	486,730	398,422	88,308	22
Net profit	1,380,603	1,115,265	265,338	24
Other comprehensive income (loss), net of tax	87,274	(173,212)	260,486	(150)
Total comprehensive income	1,467,877	942,053	525,824	56

i. Analysis of increases/decreases over 20%:

(1) Profit from operations increased mainly because of the portfolio and the reduced general and administrative expenses.

(2) Non-operating income and expenses decreased mainly because of the increase in exchange losses caused by fluctuating exchange rates.

(3) Profit before income tax increased, income tax expense increased, and net profit increased for current term mainly because of the growth in profits for the current term.

(4) Other comprehensive income or losses (after-tax net value) increased for the current term mainly because of the difference in exchange from the conversion of financial statements of overseas operating institutions caused by fluctuating exchange rates.

ii. Reason for the change to the main scope of operation of the Company: The main scope of operation of the Company did not experience major changes.

iii. Possible impacts of expected sales quantities and their bases on the future financial operations of the Company and the countermeasures: Not applicable; the Company does not prepare financial forecasts.

7.3 Review and Analysis of Cash Flow

i. Cash Flow Analysis for the Current Year

Unit: NTD Thousand

<table>
<tr><th rowspan="2">Cash and Cash Equivalents, Beginning of Year</th><th rowspan="2">Net Cash Flow from Operating Activities</th><th rowspan="2">Net Cash Flow from Investing and Financing Activities</th><th rowspan="2">Cash Surplus</th><th colspan="2">Leverage of Cash Deficit</th></tr>
<tr><th>Investment Plans</th><th>Financing Plans</th></tr>
<tr><td>1,774,594</td><td>1,342,996</td><td>(612,242)</td><td>2,505,348</td><td>-</td><td>-</td></tr>
<tr><td colspan="6">(1) Analysis of change in cash flows of the current year:
A. Operating activities: mainly the payments received, expenses on purchases of materials, and payment for income tax as part of normal operations, etc.
B. Investing activities: mainly the expansion of production and net purchases of financial assets to meet operational demand.
C. Financing activities: mainly borrowings and distribution of cash dividends.
(2) Remedies in case of cash shortage: Not applicable.</td></tr>
</table>

ii. Cash Flow Analysis for the Coming Year

Unit: NTD Thousand

<table>
<tr><th rowspan="2">Cash and Cash Equivalents, Beginning of Year</th><th rowspan="2">Net Cash Flow from Operating Activities</th><th rowspan="2">Net Cash Flow from Investing and Financing Activities</th><th rowspan="2">Cash Surplus</th><th colspan="2">Leverage of Cash Surplus (Deficit)</th></tr>
<tr><th>Investment plan</th><th>Financing plan</th></tr>
<tr><td>2,505,348</td><td>1,494,847</td><td>(1,071,620)</td><td>2,928,575</td><td>-</td><td>-</td></tr>
<tr><td colspan="6">(1) Analysis of change in cash flows:
A. Operating activities: mainly the payments received, expenses on purchases of materials, and payment for income tax as part of normal operations, etc.
B. Investing activities: mainly projected construction of new premises and purchase of fixed assets, etc.
C. Financing activities: mainly borrowings and distribution of cash dividends etc.
(2) Projected remedies in case of cash shortage: Not applicable.</td></tr>
</table>

7.4 Impacts of Major Capital Expenditure for the Most Recent Fiscal Year on Financial Operation: None.

7.5 Investment Policy for the Most Recent Fiscal Year, Reasons for Profit (Loss), Improvement Plan and the Investment Plan for the Coming Year:

i. Re-investment policy of the latest year:

The Company's reinvestment policy of the latest year mainly aims to expand the operational scale, to reinforce its competitive advantages on the market, and to improve the revenue and investment gains.

ii. Main reasons for profits from reinvestments:

The Company recognized investment gains applying the equity method for 2020 is worth NTD 949,374 thousand mainly because of the operational growth and increased profits of overseas reinvested companies.

iii. Investment plan for the coming year:

The Company will carefully evaluate respective investment plans in order to cope with demand on the market and environmental changes and challenges in the future and to ensure overall steady operational growths, which will hopefully create optimal investment gains.

7.6 Review and Analysis of Risk Management

i. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

Impacts on profits or losses

Item	2020 (NTD thousand; %)
Net interest income (expenses)	69,613
Net (loss) profit from exchange	(99,940)
Ratio of net interest income/ expenses to net sales	1.18%
Ratio of net interest income/ expenses to pre-tax net profit	3.73%
Ratio of net loss/profit from exchange to net sales	(1.69)%
Ratio of net loss/profit from exchange to pre-tax net profit	(5.35)%

Changes in interest rate:

The net interest income of the Company for 2020 was NTD 69,613 thousand, accounting for only 1.18% of the operating income. Therefore, impacts of changes in the interest rate impacted minimally on the Company's profitability. The Company will keep track of information about interest rates on the market at all times and adjust its deposits and borrowings in respective currencies while at the same time seeking the most preferred interest rates from banks so that fluctuating interest rates would have a minimal effect on the Company.

Changes in exchange rate:

The net losses/profits from foreign exchange incurred by assets and liabilities in foreign currencies for 2020 were NTD 99,940 thousand, accounting for 1.69% of the operating income. The Company will take the corresponding hedging measures according to existing policies for the coming year with regard to its forward foreign exchange income/expenditure.

Inflation:

A majority of the Company's products are exported. Therefore, impacts of the domestic inflation on the Company's profits or losses are minimal. In case of inflation on the Asian market, however, it will impact consumers' purchasing power and willingness and the demand for consumer products will hence drop. It will impact the overall revenue and profits or losses of the Company negatively. Given the fact that impacts of international inflations are comprehensive in nature, however, the impacts will not be borne by a single company and governments around the world shall be capable of coping with them. Nevertheless, the Company will devote itself to the research and development as well as distribution of niche products and the reduction of production cost so that its revenue may be maintained with products whose prices are more capable of driving consumer demand and the negative impacts from inflations on the Company's profits or losses may be reduced.

ii. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage itself in high-risk or high-leverage investments in 2020 and lending of funds as well as endorsements/guarantees were done in compliance with the Company's Procedure for Lending to Others and Regulations Governing Endorsements/Guarantees and the counterparties were all the Company's subsidiaries. The operation of derivatives, on the other hand, was meant mainly for hedging purpose and was done in compliance with the Company's Procedures for Engaging in Derivatives Trading.

iii. Future Research & Development Projects and Corresponding Budget

For the Company's future R&D plans, refer to 5.1 i. (4) New Products and Services Planned to be Developed under "V. Operational Highlights." In addition, for the sake of consolidating the Company's competitive advantages and maintaining its strengths on the market, the Company spares no effort in research, development, and innovation. Each year, the R&D budget devoted accounts for around 3% to 5% of the revenue and is expected to remain at a comparable level in 2021.

iv. Impacts of important domestic and international policies and regulatory changes on the Company's financial performance and the countermeasures: None.

v. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales: None.

vi. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None.

vii. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

viii. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

ix. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

(1) Purchases: Individual suppliers of the Company are not monopolies that cannot be replaced. The sources of supply are sufficient, without concerns over shortage. In honor of its decentralized purchase principle, the Company inquires about prices with more than two suppliers and makes purchases accordingly most of the time for the same raw material and maintains long-term steady partnerships with them to avoid the risk of shortage in supply due to force majeure or individual factors and the purchase contracts are often signed in advance. The supply has been steady and minimally impacted by fluctuating prices internationally. The source of supply is not impacted. Since it was established, the Company has not experienced shortage in or interruption of supply.

(2) Sales: The Company's products include positive and negative temperature coefficient thermistors and zinc oxide varistors that are widely applied and are sold mainly to power supply manufacturers, monitor manufacturers, motherboards, mobile phones, and home appliance clients. The sales are growing on a yearly basis. Despite the slight changes to the Top 10 clients over the past two years, there is no single client accounting for the overall sales by more than 10%. In other words, customers where the products are sold to are relatively decentralized and are not obviously focused.

x. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None.

xi. Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

xii. Litigation or Non-litigation Matters: None.

xiii. Other important risks and countermeasures:

(1) Risk and Management Measures for Information Technology Security:

Any cyber attack may be meant to steal the Company's intellectual properties and formulation of raw materials, among other business secrets to result in undesirable impacts on the Company's operations. The Company has set up a complete cyber and computer safety protection system to control and protect the Company's operating system and the software and hardware equipment resources are enhanced from time to time to reinforce the Company's cyber safety system. Throughout 2020 and up to the date the Annual Report was printed, the Company had not discovered any major cyber attack or incident that had or might significantly impact the Company's business and operation undesirably and had not been involved in any relevant legal case or regulatory investigation.

7.7 Other Material Items: None.

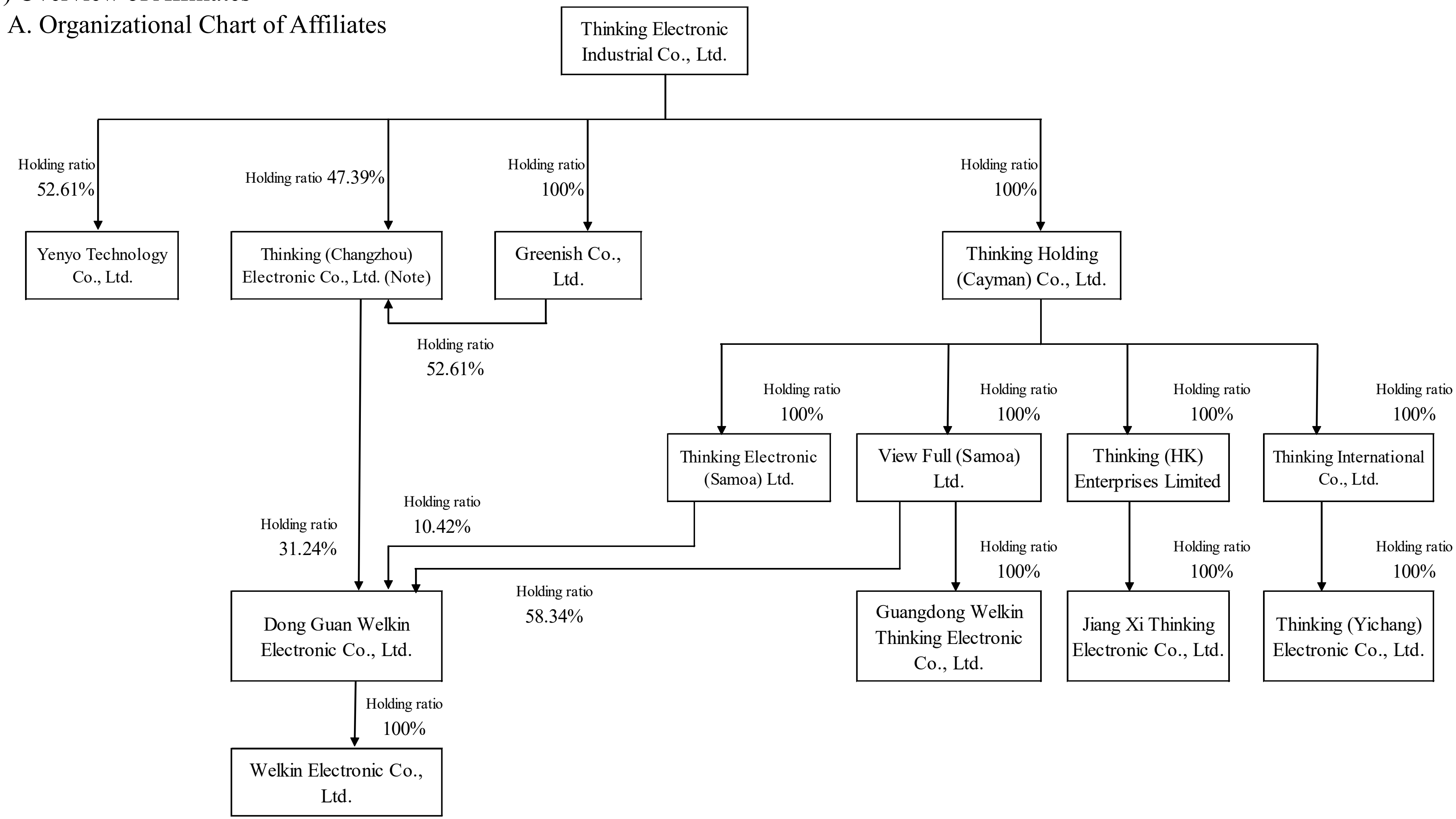
VIII. Special Disclosure

8.1 Summary of Affiliated Companies

i. Consolidated Business Report of Affiliates

(1) Overview of Affiliates

A. Organizational Chart of Affiliates



Note: The Company and Greenish Co., Ltd.'s joint investment, holding 100% of its interests.

B.Profile of respective affiliates:

December 31, 2020 ; Unit: Respective Currencies in Thousands

Name of affiliate	Date established	Address	Paid-in capital size	Main scope of operation or production
Yenyo Technology Co., Ltd.	8/15/1997	No. 189, Longquan Road, Longtan Village, Jiaoxi Township, Yilan County	NTD 403,580	Processing, trading, and manufacturing of diodes
Thinking (Changzhou) Electronic Co., Ltd.	3/22/1996	No. 6, Longmen Road, Wujin National Hi-Tech Industrial Development Zone, Changzhou City, Jiangsu Province	USD 21,260	Manufacturing and selling thermistors, varistors and sensors
Greenish Co., Ltd.	2/26/1997	Sea Meadow House, Blackburne Highway, (P.O.Box 116), Road Town, Tortola, British Virgin Islands	USD 7,375	International trading and investment
Thinking Holding (Cayman) Co., Ltd.	3/30/2007	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road,P.O.Box 32052,Grand Cayman, KY1-1208, Cayman Islands	USD 24,729	International trading and investment
Thinking International Co., Ltd.	6/3/2004	Suite 802, St James Court St Denis Street, Port Louis, Mauritius	USD 6,075	International trading and investment
Thinking (HK) Enterprises Limited	9/11/2009	Room 1204, Yu Sung Boon Bldg., 107-111 Des Voeux Road Central,Hong Kong	USD 10,020	International trading and investment
View Full (Samoa) Ltd.	4/30/2013	Le Sanalele Complex, Ground Floor, Vaea Street, Saleufi, Apia, Samoa	USD 5,055	International trading and investment
Thinking Electronic (Samoa) Ltd.	4/30/2013	Le Sanalele Complex, Ground Floor, Vaea Street, Saleufi, Apia, Samoa	USD 2,599	International trading and investment
Thinking (Yichang) Electronic Co., Ltd.	7/2/2004	No. 283, Huting Boulevard, Huting District, Yichang City, Hubei Province	USD 6,000	Manufacturing and selling thermistors, varistors and sensors
Jiang Xi Thinking Electronic Co., Ltd.	11/20/2009	Anhua Road, Tangying Boulevard, Fuliangxian Ceramics Industrial Park, Jingdezhen City, Jiangxi Province	USD 10,000	Manufacturing and selling thermistors and varistors
Guangdong Welkin Thinking Electronic Co., Ltd.	4/11/2014	Level 7, No. 7, Lane 2, Building 1, Huaideyao Village, Humen Township, Dongguan City, Guangdong Province	USD 5,000	Wholesale of thermistors, varistors, sensors and equipment
Dong Guan Welkin Electronic Co., Ltd.	10/19/2001	No. 45, Dongda Street, Shatou Community, Changan Township, Dongguan City, Guangdong Province	CNY 84,050	Manufacturing and processing thermistors, varistors, sensors and equipment
Welkin Electronic Co., Ltd.	12/18/2020	B1 and B2, No. 28, Dongping Road, Tanzhou Township, Zhongshan City, Guangdong Province	Note	Manufacturing and selling thermistors and varistors

Note: In order to combine manufacturing and sales in the factory, the board of directors of Dongguan Welkin had decided to establish Zhongshan Welkin, which had been registered in December 2020. As of December 31, 2020, Zhongshan Welkin has not been invested.

C. Data of common shareholders inferred to have control or to be in a subordinate relationship: None.

D. Industries that the scope of operation of affiliates covers and their business relationship with the Company:

Name of affiliate	Main scope of operation or production	Business relationship with the Company
Yenyo Technology Co., Ltd.	Processing, trading, and manufacturing of diodes	-
Thinking (Changzhou) Electronic Co., Ltd.	Manufacturing and selling thermistors, varistors and sensors	The Company purchases products and sells them and then sells the products of the Company
Greenish Co., Ltd.	International trading and investment	It is an overseas holding company that the Company reinvests in.
Thinking Holding (Cayman) Co., Ltd.	International trading and investment	It is an overseas holding company that the Company reinvests in.
Thinking International Co., Ltd.	International trading and investment	It is an overseas holding company that the Company reinvests in.
Thinking (HK) Enterprises Limited	International trading and investment	It is an overseas holding company that the Company reinvests in.
View Full (Samoa) Ltd.	International trading and investment	It is an overseas holding company that the Company reinvests in.
Thinking Electronic (Samoa) Ltd.	International trading and investment	It is an overseas holding company that the Company reinvests in.
Thinking (Yichang) Electronic Co., Ltd.	Manufacturing and selling thermistors, varistors and sensors	The Company purchases its products and sells them
Jiang Xi Thinking Electronic Co., Ltd.	Manufacturing and selling thermistors and varistors	The Company purchases its semi-finished products
Guangdong Welkin Thinking Electronic Co., Ltd.	Wholesale of thermistors, varistors, sensors and equipment	-
Dong Guan Welkin Electronic Co., Ltd.	Manufacturing and processing thermistors, varistors, sensors and equipment	The Company purchases products and sells them and then sells the products of the Company
Welkin Electronic Co., Ltd.	Manufacturing and selling thermistors and varistors	-

E. Profile of directors, supervisors, and president of each affiliate

Name of affiliate	Position	Name or Representative	Shareholding	
			Shares	Shareholding ratio
Yenyo Technology Co., Ltd.	Chairman	Sui, Tai-Chung (Representative of Thinking)	21,232,508	52.61%
	Director	Tseng, Lung-Ji (Representative of Thinking)	21,232,508	52.61%
	Director/President	Ho, Yi-Sheng (Representative of Thinking)	21,232,508	52.61%
	Director	Chu, You-Mei (Representative of Thinking)	21,232,508	52.61%
	Director	Cheng, Chien-Ming	109,432	0.27%
	Supervisor	Fang, Hsiao-Hua (Representative of Boh Chin)	20,518	0.05%
	Supervisor	Chen, Yen-Hui	-	-
Thinking (Changzhou) Electronic Co., Ltd.	Chairman Director Director Supervisor	Sui, Tai-Chung (Representative of Thinking) Ho, Yi-Sheng (Representative of Thinking) Chen, Su-Ai (Representative of Thinking) Ting, Si-Nan (Representative of Thinking)	USD 21,260,000	100.00%
Greenish Co., Ltd.	Director	Sui, Tai-Chung (Representative of Thinking)	USD 7,374,997	100.00%
Thinking Holding (Cayman) Co., Ltd.	Director	Chen, Su-Ai (Representative of Thinking)	USD 24,728,858	100.00%
Thinking International Co., Ltd.	Chairman Director	Sui, Tai-Chung (Representative of Thinking Holding (Cayman)) Chen, Su-Ai (Representative of Thinking Holding (Cayman))	USD 6,075,000	100.00%
Thinking (HK) Enterprises Limited	Director Director	Sui, Tai-Chung (Representative of Thinking Holding (Cayman)) Chen, Su-Ai (Representative of Thinking Holding (Cayman))	USD 10,020,000	100.00%
View Full (Samoa) Ltd.	Director Director	Sui, Tai-Chung (Representative of Thinking Holding (Cayman)) Chen, Su-Ai (Representative of Thinking Holding (Cayman))	USD 5,055,000	100.00%
Thinking Electronic (Samoa) Ltd.	Director Director	Sui, Tai-Chung (Representative of Thinking Holding (Cayman)) Chen, Su-Ai (Representative of Thinking Holding (Cayman))	USD 2,598,858	100.00%

Name of affiliate	Position	Name or Representative	Shareholding	
			Shares	Shareholding ratio
Thinking (Yichang) Electronic Co., Ltd.	Chairman Director Director	Sui, Tai-Chung (Representative of Thinking International) Sui, Chung-Hua (Representative of Thinking International) Chung, Su-Hsin (Representative of Thinking International)	USD 6,000,000	100.00%
Jiang Xi Thinking Electronic Co., Ltd.	Chairman Director Director Supervisor	Sui, Tai-Chung (Representative of Thinking (HK)) Chen, Su-Ai (Representative of Thinking (HK)) Ho, Yi-Sheng (Representative of Thinking (HK)) Ting, Si-Nan (Representative of Thinking (HK))	USD 10,000,000	100.00%
Guangdong Welkin Thinking Electronic Co., Ltd.	Chairman Director Director Supervisor	Li, Ling-Wen (Representative of View Full Samoa) Ho, Yi-Sheng (Representative of View Full Samoa) Ting, Si-Nan (Representative of View Full Samoa) Fang, Hsiao-Hua (Representative of View Full Samoa)	USD 5,000,000	100.00%
Dong Guan Welkin Electronic Co., Ltd.	Chairman Director Director Supervisor	Sui, Tai-Chung (Representative of Thinking Changzhou and Thinking Samoa) Chen, Su-Ai (Representative of Thinking Changzhou and Thinking Samoa) Sui, Chieh-Heng (Representative of Thinking Changzhou and Thinking Samoa) Ting, Si-Nan (Representative of Thinking Changzhou and Thinking Samoa)	CNY 84,050,068	100.00%
Welkin Electronic Co., Ltd.	Chairman Director Director Supervisor	Sui, Tai-Chung (Representative of Dongguan Welkin) Chen, Su-Ai (Representative of Dongguan Welkin) Sui, Chieh-Heng (Representative of Dongguan Welkin) Ting, Si-Nan (Representative of Dongguan Welkin)	-	-

(2) Operational overview of respective affiliates

December 31, 2020; Unit: NTD thousands

Name of affiliate	Capital size	Total assets	Total liabilities	Net worth	Operating income	Operating (loss) profit	(Loss) profit of current term (after-tax)	Fundamental earnings per share (NTD) (after-tax)
Yenyo Technology Co., Ltd.	403,580	325,886	31,539	294,347	180,352	(12,418)	(9,312)	(0.23)
Thinking (Changzhou) Electronic Co., Ltd.	692,633	4,309,407	575,126	3,734,281	2,606,816	376,340	459,452	(Note 1)
Greenish Co., Ltd.	242,300	1,959,046	11,307	1,947,739	-	(13,073)	234,076	(Note 1)
Thinking Holding (Cayman) Co., Ltd.	770,212	2,654,577	-	2,654,577	-	(359)	568,755	(Note 1)
Thinking International Co., Ltd.	196,512	954,972	-	954,972	-	(73)	155,840	(Note 1)
Thinking (HK) Enterprises Limited	311,109	625,927	-	625,927	-	(29)	85,350	(Note 1)
View Full (Samoa) Ltd.	155,108	946,158	-	946,158	-	(21)	288,150	(Note 1)
Thinking Electronic (Samoa) Ltd.	76,294	100,197	-	100,197	-	(21)	38,266	(Note 1)
Thinking (Yichang) Electronic Co., Ltd.	194,170	1,313,541	360,149	953,392	926,839	151,490	155,909	(Note 1)
Jiang Xi Thinking Electronic Co., Ltd.	310,330	786,547	160,897	625,650	574,619	93,300	85,381	(Note 1)
Guangdong Welkin Thinking Electronic Co., Ltd.	153,547	1,181,814	794,974	386,840	1,491,914	216,894	163,790	(Note 1)
Dong Guan Welkin Electronic Co., Ltd.	367,457	1,602,853	646,565	956,288	1,390,105	310,312	277,401	(Note 1)
Welkin Electronic Co., Ltd.	-	-	-	-	-	-	-	(Note 2)

Note 1: The company is a company limited.

Note 2: In order to combine manufacturing and sales in the factory, the board of directors of Dongguan Welkin had decided to establish Zhongshan Welkin, which had been registered in December 2020. As of December 31, 2020, Zhongshan Welkin has not been invested.

ii. Consolidated Financial Statement of Affiliates

Declaration

The entities that are required to be included in the consolidated financial statements of affiliates as of and for the year ended December 31, 2020, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are all the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Thinking Electronic Industrial Co., Ltd. and subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Thinking Electronic Industrial Co., Ltd.

By
Sui, Tai-Chung
Chairman

March 22, 2021

iii. Affiliation Report

Declaration

The Affiliation Report of the Company for 2020 (from January 1 to December 31, 2020) is prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the information disclosed does not show significant discrepancies from related information disclosed in the notes to financial statements during the above-mentioned period.

Thinking Electronic Industrial Co., Ltd.

By
Sui, Tai-Chung
Chairman

March 22, 2021

Thinking Electronic Industrial Co., Ltd.

Affiliation Report

2020

I. Overview of Relations between Subordinate Companies and Controlling Companies:

Unit: Share; %

Name of controlling company	Cause of control	Shareholding and pledge status of controlling company			Directors, supervisors, or managers assigned by the controlling company
		Number of shares held	Shareholding ratio	Number of shares pledged	Title/Name
Boh Chin Investment Co., Ltd.	With substantial control over the Company	27,178,247	21.21%	-	Chairman/Sui, Tai-Chung Director/ Ho, Yi-Sheng

II. Current Transaction:

(I) Purchases/Sales: None

(II) Properties: None

(III) Capital financing: None

(IV) Asset lease: The Company spent NTD 480 thousand in 2020 for renting buildings and land from Boh Chin Investment Co., Ltd.

III. Endorsements/guarantees: None

8.2 Any Private Placement of Securities for the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries for the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

8.4 Other Matters Requiring Supplementary Information: None

IX. Matters with Important Impacts on Shareholders' Equity or Prices of Securities

Matters with important impacts on shareholders' equity or prices of securities as indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities and Exchange Act in the past year up to the date the Annual Report was printed: None.