

# **TSEC Corporation**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
TSEC Corporation

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

**Validity of Occurrence of Revenue from New Customers in the  
Top Ten Revenue-Contributing Section**

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The sales revenue from new customers in the top ten revenue-contributing section for the year ended December 31, 2020 was \$2,325,025 thousand, which accounted for 49% of the Company's operating revenue, and is material to the Company's financial statements. In addition, as the management may be under pressure to achieve the expected financial goals, there is an increased inherent risk of fraud in revenue recognition. Thus, the risk of revenue recognition related to the actual occurrence of the sales transactions with the new customers in top ten revenue-contributing section has been identified as a key audit matter. For the related accounting policies, refer to Note 4 of the financial statements.

We understood the Company's internal controls over sales transactions with new customers in the top ten revenue-contributing section and designed corresponding audit procedures to confirm and assess the operating effectiveness of the related controls. We also performed substantive testing on the transactions with new customers in the top ten revenue-contributing section on a sample basis by inspecting third-party shipping documents, the customers' receipts of delivery, cash payments and whether there were material sales returns after the reporting period in order to confirm that the sales revenue from the new customers in the top ten revenue-contributing section are free from material misstatement.

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hai-Yueh Huang and Chiang-Hsun Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2021

Notice to Readers

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

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

# TSEC CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,616,670	17	\$ 422,888	6
Financial assets at fair value through profit or loss (Notes 4 and 7)	60,006	1	-	-
Accounts receivable (Notes 4, 8 and 22)	685,147	7	171,646	2
Accounts receivable from related parties (Notes 4, 22 and 30)	153,981	2	-	-
Other receivables (Notes 4 and 8)	29,097	-	29,287	-
Other receivables from related parties (Notes 4 and 30)	235	-	297	-
Current tax assets (Notes 4 and 23)	108	-	111	-
Inventories (Notes 4 and 9)	806,611	8	480,565	6
Other current assets (Notes 16 and 31)	<u>157,347</u>	<u>2</u>	<u>194,394</u>	<u>3</u>
Total current assets	<u>3,509,202</u>	<u>37</u>	<u>1,299,188</u>	<u>17</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 10)	6,455	-	5,212	-
Investments accounted for using the equity method (Notes 4 and 11)	157,469	2	139,123	2
Property, plant and equipment (Notes 4, 12, 17, 27 and 31)	4,851,851	52	5,970,526	76
Right-of-use assets (Notes 4 and 13)	10,144	-	19,522	-
Investment properties (Notes 4, 14 and 31)	187,789	2	-	-
Other intangible assets (Notes 4 and 15)	1,436	-	3,047	-
Deferred tax assets (Notes 4 and 23)	220,050	2	181,050	2
Other non-current assets (Notes 16, 27 and 31)	<u>426,115</u>	<u>5</u>	<u>199,968</u>	<u>3</u>
Total non-current assets	<u>5,861,309</u>	<u>63</u>	<u>6,518,448</u>	<u>83</u>
TOTAL	<u>\$ 9,370,511</u>	<u>100</u>	<u>\$ 7,817,636</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17, 27 and 31)	\$ 514,431	5	\$ 725,148	9
Short-term bills payable (Notes 17 and 31)	279,366	3	-	-
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	1,464	-	-	-
Contract liabilities (Notes 4, 22 and 30)	46,708	1	84,645	1
Accounts payable (Note 18)	616,254	7	386,398	5
Other payables (Notes 19 and 27)	223,330	2	268,895	4
Lease liabilities - current (Notes 4, 13 and 27)	8,658	-	10,867	-
Current portion of long-term borrowings (Notes 17, 27 and 31)	379,434	4	1,425,945	18
Other current liabilities	<u>11,020</u>	<u>-</u>	<u>6,051</u>	<u>-</u>
Total current liabilities	<u>2,080,665</u>	<u>22</u>	<u>2,907,949</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17, 27 and 31)	2,516,435	27	1,663,725	22
Provisions (Note 4)	12,374	-	7,844	-
Deferred tax liabilities (Notes 4 and 23)	248	-	2,469	-
Lease liabilities - non-current (Notes 4, 13 and 27)	1,809	-	8,894	-
Guarantee deposits received (Note 27)	<u>2,335</u>	<u>-</u>	<u>2,335</u>	<u>-</u>
Total non-current liabilities	<u>2,533,201</u>	<u>27</u>	<u>1,685,267</u>	<u>22</u>
Total liabilities	<u>4,613,866</u>	<u>49</u>	<u>4,593,216</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	4,457,967	48	3,790,167	48
Capital surplus	1,154,811	12	5,460	-
Accumulated deficits	(681,541)	(7)	(395,691)	(5)
Other equity	<u>(174,592)</u>	<u>(2)</u>	<u>(175,516)</u>	<u>(2)</u>
Total equity	<u>4,756,645</u>	<u>51</u>	<u>3,224,420</u>	<u>41</u>
TOTAL	<u>\$ 9,370,511</u>	<u>100</u>	<u>\$ 7,817,636</u>	<u>100</u>

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

# TSEC CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)	\$ 4,702,866	100	\$ 4,454,956	100
OPERATING COSTS (Notes 9, 20 and 22)	<u>4,218,263</u>	<u>90</u>	<u>4,237,489</u>	<u>95</u>
GROSS PROFIT	484,603	10	217,467	5
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(1,630)	-	(72)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>482,992</u>	<u>10</u>	<u>217,395</u>	<u>5</u>
OPERATING EXPENSES (Notes 20, 22 and 30)				
Selling and marketing	90,861	2	89,009	2
General and administrative	261,730	5	177,019	4
Research and development	47,685	1	50,441	1
Expected credit loss reversed on accounts receivable (Note 8)	<u>(2,534)</u>	<u>-</u>	<u>(1,270)</u>	<u>-</u>
Total operating expenses	<u>397,742</u>	<u>8</u>	<u>315,199</u>	<u>7</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 12 and 22)	<u>(383,848)</u>	<u>(8)</u>	<u>4</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(298,598)</u>	<u>(6)</u>	<u>(97,800)</u>	<u>(2)</u>
NON-OPERATING EXPENSES				
Finance costs (Note 22)	(115,379)	(2)	(151,814)	(3)
Share of profit or loss of subsidiaries and associates (Notes 4 and 11)	(2,628)	-	549	-
Interest income	636	-	2,110	-
Rental income (Note 30)	19,020	-	189	-
Other income (Note 30)	23,629	-	7,920	-
Gain on disposal of investments, net (Notes 4 and 11)	-	-	44,094	1
Foreign exchange gain, net (Note 22)	47,726	1	11,346	-
Gains or losses on financial assets (liabilities) at fair value through profit or loss	<u>(1,397)</u>	<u>-</u>	<u>48</u>	<u>-</u>
Total non-operating expenses	<u>(28,393)</u>	<u>(1)</u>	<u>(85,558)</u>	<u>(2)</u>

(Continued)

# TSEC CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ (326,991)	(7)	\$ (183,358)	(4)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23)	<u>41,141</u>	<u>1</u>	<u>(17,258)</u>	<u>-</u>
NET LOSS	<u>(285,850)</u>	<u>(6)</u>	<u>(200,616)</u>	<u>(4)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 21)	1,243	-	689	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations (Note 21)	(399)	-	(195)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 23)	<u>80</u>	<u>-</u>	<u>39</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>924</u>	<u>-</u>	<u>533</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (284,926)</u>	<u>(6)</u>	<u>\$ (200,083)</u>	<u>(4)</u>
LOSS PER SHARE (Note 24)				
Basic	<u>\$ (0.74)</u>		<u>\$ (0.60)</u>	
Diluted	<u>\$ (0.74)</u>		<u>\$ (0.60)</u>	

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

(Concluded)



# TSEC CORPORATION

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

	Share Capital	Capital Surplus	Retained Earnings		Other Equity		Total Equity
			Legal Reserve	Accumulated Deficits	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments	
BALANCE AT JANUARY 1, 2019	\$ 4,768,550	\$ 332,205	\$ 78	\$ (1,960,666)	\$ (225)	\$ (175,824)	\$ 2,964,118
Legal reserve used to offset accumulated deficits	-	-	(78)	78	-	-	-
Capital surplus used to offset accumulated deficits	-	(332,205)	-	332,205	-	-	-
Capital reduction used to offset accumulated deficits	(1,628,383)	-	-	1,628,383	-	-	-
Issuance of ordinary shares for cash	650,000	-	-	(195,000)	-	-	455,000
Recognition of employee share options by the Company (Note 25)	-	5,460	-	-	-	-	5,460
Changes in percentage of ownership interests in subsidiaries	-	-	-	(75)	-	-	(75)
Net loss for the year ended December 31, 2019	-	-	-	(200,616)	-	-	(200,616)
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(156)	689	533
Total comprehensive loss for the year ended December 31, 2019	-	-	-	(200,616)	(156)	689	(200,083)
BALANCE AT DECEMBER 31, 2019	3,790,167	5,460	-	(395,691)	(381)	(175,135)	3,224,420
Issuance of ordinary shares for cash	667,800	1,055,124	-	-	-	-	1,722,924
Recognition of employee share options by the Company (Note 25)	-	94,227	-	-	-	-	94,227
Net loss for the year ended December 31, 2020	-	-	-	(285,850)	-	-	(285,850)
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(319)	1,243	924
Total comprehensive loss for the year ended December 31, 2020	-	-	-	(285,850)	(319)	1,243	(284,926)
BALANCE AT DECEMBER 31, 2020	<u>\$ 4,457,967</u>	<u>\$ 1,154,811</u>	<u>\$ -</u>	<u>\$ (681,541)</u>	<u>\$ (700)</u>	<u>\$ (173,892)</u>	<u>\$ 4,756,645</u>

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

# TSEC CORPORATION

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (326,991)	\$ (183,358)
Adjustments for:		
Depreciation	576,760	710,039
Amortization	1,803	4,287
Expected credit loss reversed on accounts receivable	(2,534)	(1,270)
Net (gain) loss on fair value changes of financial instruments at fair value through profit or loss	1,397	(48)
Finance costs	115,379	151,814
Interest income	(636)	(2,110)
Shared-based payment expenses recognized	94,227	5,460
Share of loss (profit) of subsidiaries and associates	2,628	(549)
Loss (gain) on disposal of property, plant and equipment	2,196	(4)
Profit on disposal of associates	-	(44,094)
Impairment losses recognized on property, plant and equipment	381,652	-
Unrealized gain on transactions with subsidiaries and associates	1,630	72
Realized gain on transactions with subsidiaries and associates	(19)	-
Net gain on foreign currency exchange	(1,737)	(11,227)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(59,939)	10,048
Accounts receivable	(517,610)	147,941
Accounts receivable from related parties	(156,597)	-
Other receivables	(60)	(2,439)
Other receivables from related parties	62	(297)
Inventories	(326,046)	81,569
Other current assets	(121,630)	(11,554)
Contract liabilities	(37,937)	(25,822)
Notes payable	-	(2,115)
Accounts payable	232,903	(253,224)
Other payables	18,444	2,806
Provisions	4,530	4,093
Other current liabilities	4,969	210
Cash (used in) generated from operations	(113,156)	580,228
Interest received	420	1,391
Finance costs paid	(113,189)	(155,068)
Income tax refunded (paid)	3	(45)
Net cash (used in) generated from operating activities	<u>(225,922)</u>	<u>426,506</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of associates	-	(120,000)
Net cash inflow on disposal of associates	-	46,357
Increase in investment in subsidiaries accounted for using the equity method	(22,984)	(8,500)

(Continued)

# TSEC CORPORATION

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

	2020	2019
Net cash inflow on disposal of subsidiaries	\$ -	\$ 30,000
Payments for property, plant and equipment (Note 27)	(338,031)	(208,597)
Proceeds from disposal of property, plant and equipment	9,758	22,897
Increase in refundable deposits	-	(9,826)
Decrease in refundable deposits	33,974	-
Payments for intangible assets	(192)	(366)
Increase in other financial assets - restricted assets	-	(52,874)
Decrease in other financial assets - restricted assets	<u>149,149</u>	<u>-</u>
Net cash used in investing activities	<u>(168,326)</u>	<u>(300,909)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term borrowings	(202,453)	(152,579)
Increase in short-term bills payable	279,366	-
Decrease in short-term bills payable	-	(29,989)
Proceeds from long-term borrowings	1,946,880	318,649
Repayments of long-term borrowings	(2,140,681)	(453,332)
Increase in guarantee deposits received	-	2,335
Repayments of the principal portion of lease liabilities	(16,989)	(17,204)
Proceeds from issuance of ordinary shares	<u>1,722,924</u>	<u>455,000</u>
Net cash generated from financing activities	<u>1,589,047</u>	<u>122,880</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(1,017)</u>	<u>(873)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,193,782	247,604
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>422,888</u>	<u>175,284</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,616,670</u>	<u>\$ 422,888</u>

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

(Concluded)

# TSEC CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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#### 1. GENERAL INFORMATION

TSEC Corporation (the “Company”) was incorporated on June 24, 2010. The Company is mainly engaged in the design, manufacture, construction and sale of solar cells, modules and power plants.

The Company’s shares have been listed on the Taiwan Stock Exchange since October 1, 2015.

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 25, 2021.

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

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

##### Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the financial statements do not include immaterial information that may obscure material information.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

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

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

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

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

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

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

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

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

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

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

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

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations")

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash 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 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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 weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries, and the subsidiaries refer to entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, changes to the Company's other interests in the subsidiary are recognized based on the shareholding ratio.

When the Company's change in the ownership interest in the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

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.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is not a subsidiary. Significant influence is the right to participate in the financial and operating policy decisions of the investee company instead of control or joint control of such policies.

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

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the parent company only financial statements only to the extent that interests in the associate are not related to the Company.

h. Property, plant and equipment

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

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



Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, the asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. 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.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

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.

j. Intangible assets

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

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

k. Impairment of property, plant and equipment, right-of-use assets 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 an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

## 1. 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 categories

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 assets at FVTPL

Financial assets are classified as at FVTPL when financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. 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, accounts receivable, accounts receivable from related parties, other receivables, other receivables from related parties and refundable deposits at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

iii. 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 and contract assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable and lease receivables. 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 shows that the debtor is unlikely to pay its creditors.
- ii. The financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

The 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

n. Revenue recognition

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

### Revenue from the sale of goods

Revenue from the sale of goods comes from sales of solar modules. Sales of solar modules are recognized as revenue when the goods are delivered to the customer's specific location or when the terms of the delivery have been fulfilled because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed.

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

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

### Power plant sales

As the power plant is being constructed over time, the Company recognizes revenue over time. The Company measures the progress of completion on the basis of the costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations.

### Sale of electricity

Sales of electricity are recognized when the electricity generated is transmitted to a substation of Taiwan Power Company.

## **o. Leasing**

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

### **1) The Company as lessor**

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

### **2) The Company as lessee**

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 by 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. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the 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 consolidated balance sheets.

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

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

r. Share-based payment arrangements - employee share options

Equity-settled share-based payments granted to employees are measured at the fair value of the equity instruments at the grant date.

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

s. Taxation

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

1) Current tax

According to the Income Tax Act 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 liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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 only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

## 3) Current and deferred taxes for the year

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

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

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

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

The management of the Company evaluated that there were no critical accounting judgments or estimation uncertainty on the accounting policies, estimates and basic assumptions that were adopted by the Company.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 649	\$ 549
Checking accounts and demand deposits	1,400,979	187,339
Cash equivalents		
Time deposits with original maturities of 3 months or less	<u>215,042</u>	<u>235,000</u>
	<u>\$ 1,616,670</u>	<u>\$ 422,888</u>

The market interest rate intervals of demand deposits and time deposits with maturities of 3 months or less at the end of reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Demand deposits	0.001%-0.50%	0.001%-0.33%
Time deposits with original maturities of 3 months or less	0.20%-0.82%	0.30%-0.65%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets - mandatorily at FVTPL</u>		
Non-derivative financial assets		
Mutual funds	<u>\$ 60,006</u>	<u>\$ -</u>
<u>Financial liabilities - held for trading</u>		
Non-derivative financial instruments (not under hedge accounting)		
Forward exchange contracts	<u>\$ 1,464</u>	<u>\$ -</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2020</u>			
Buy	USD/NTD	2021.01.01-2021.01.20	USD347/NTD10,202
	USD/NTD	2021.02.01-2021.02.10	USD797/NTD23,422

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The purpose of its financial hedging strategy is to hedge against most of the market price risk.



## 8. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 737,430	\$ 226,463
Less: Allowance for impairment loss	<u>(52,283)</u>	<u>(54,817)</u>
	<u>\$ 685,147</u>	<u>\$ 171,646</u>
<u>Other receivables</u>		
Receivables from disposal of investments (Note 11)	\$ 17,700	\$ 17,700
Tax rebate	7,804	10,749
Others	<u>3,593</u>	<u>838</u>
	<u>\$ 29,097</u>	<u>\$ 29,287</u>

### a. Accounts receivable

The average credit period of accounts receivable is 30-40 days. No interest is charged on accounts receivable. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. For trade receivables 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.

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

December 31, 2020

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	0.31%	4.72%	-	100%	
Gross carrying amount	\$ 684,644	\$ 2,755	\$ -	\$ 50,031	\$ 737,430
Loss allowance (Lifetime ECLs)	<u>(2,122)</u>	<u>(130)</u>	<u>-</u>	<u>(50,031)</u>	<u>(52,283)</u>
Amortized cost	<u>\$ 682,522</u>	<u>\$ 2,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,147</u>

December 31, 2019

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	0.22%	32.69%	42.10%	100%	
Gross carrying amount	\$ 168,776	\$ 3,166	\$ 1,855	\$ 52,666	\$ 226,463
Loss allowance (Lifetime ECLs)	<u>(335)</u>	<u>(1,035)</u>	<u>(781)</u>	<u>(52,666)</u>	<u>(54,817)</u>
Amortized cost	<u>\$ 168,441</u>	<u>\$ 2,131</u>	<u>\$ 1,074</u>	<u>\$ -</u>	<u>\$ 171,646</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 54,817	\$ 56,087
Less: Net remeasurement of loss allowance	<u>(2,534)</u>	<u>(1,270)</u>
Balance, end of year	<u>\$ 52,283</u>	<u>\$ 54,817</u>

Refer to Note 29.d for details of the Company's concentration of credit risk of accounts receivable as of December 31, 2020 and 2019.

b. Other receivables

The Company adopted a policy of dealing only with creditworthy counterparties. The Company determines whether credit risk has increased significantly since initial recognition and measures the loss allowance for other receivables by continuous monitoring of the debtor, with reference to the past default experience of the debtor and an analysis of the debtor's current financial position. As of December 31, 2020 and 2019, the Company assessed that the expected credit loss rate of other receivables was 0%.

Receivables from the disposal of investments is due to the disposal of the Company's former associate HK Energy Co., Ltd. in April 2019; and the outstanding balance of \$17,700 thousand was recovered in February 2021. Business tax rebate mainly refers to the input tax and export tax rebate of the Company's purchase of machinery.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 482,875	\$ 223,774
Finished goods	273,155	222,044
Work in process	<u>50,581</u>	<u>34,747</u>
	<u>\$ 806,611</u>	<u>\$ 480,565</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$4,198,982 thousand and \$4,215,018 thousand, respectively. The cost of goods sold included inventory write-downs of \$11,756 thousand and \$0, respectively.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Non-current</u>		
Foreign investments		
Unlisted shares		
Preferred shares - SAGA Heavy Ion Medical Accelerator in Tosu	\$ 6,455	\$ 5,212
Domestic investments		
Unlisted shares		
Ordinary shares - Eversol Corporation	<u>-</u>	<u>-</u>
	<u>\$ 6,455</u>	<u>\$ 5,212</u>

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investments in subsidiaries	\$ 43,217	\$ 19,348
Investments in associates	<u>114,252</u>	<u>119,775</u>
	<u>\$ 157,469</u>	<u>\$ 139,123</u>

## Investments in Subsidiaries

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unlisted equity investments		
Holdgood Energy Corporation	\$ 33,450	\$ 10,481
TSEC America, Inc.	7,540	7,976
Yunsheng Optoelectronics Corporation	477	-
Yunxing Optoelectronics Corporation	477	-
Houchang Energy Corporation	453	453
Houxin Energy Corporation	438	438
Changyang Optoelectronics Corporation	<u>382</u>	<u>-</u>
	<u>\$ 43,217</u>	<u>\$ 19,348</u>

Proportion of ownership of subsidiaries is as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Holdgood Energy Corporation	60.74%	66.67%
TSEC America, Inc.	100.00%	100.00%
Yunsheng Optoelectronics Corporation	100.00%	-
Yunxing Optoelectronics Corporation	100.00%	-
Houchang Energy Corporation	100.00%	100.00%
Houxin Energy Corporation	100.00%	100.00%
Changyang Optoelectronics Corporation	80.00%	-

Refer to Table 3 of Note 35 for the nature of activities, principal places of business and countries of incorporation of the subsidiaries.

In July 2019, the Company subscribed for additional new shares of Holdgood Energy Corporation at a percentage different from its existing ownership percentage, which reduced its continuing interest to 66.67%. In March and June 2019, the Company subscribed for additional new shares of Hou Gu Energy Development Corporation at a percentage different from its existing ownership percentage, which reduced its continuing interest to 60.74%.

On September 11, 2018, the Company resolved to liquidate and dissolve its subsidiary TSEC America, Inc. As of February 26, 2021, TSEC America, Inc. has yet to execute its liquidation process.

The Company established Houchang Energy Corporation and Houxin Energy Corporation as new subsidiaries, which are engaged in electricity research and development, operations, sales and related consulting services of solar energy generation systems. The registration of the new companies was completed in 2019.

The Company and its subsidiary Holdgood Energy Corporation jointly established Changyang Optoelectronics Corporation, Yunsheng Optoelectronics Corporation and Yunxing Optoelectronics Corporation for \$750 thousand in January 2020, all of which are engaged in electricity research and development, operations, sales and related consulting services of solar energy generation systems. The Company's shareholding ratios of the above-mentioned three companies were all 50%. In April 2020, the Company acquired part of the shares of Changyang Optoelectronics Corporation and all of the shares of Yunsheng Optoelectronics Corporation and Yunxing Optoelectronics for \$450 thousand and \$200 thousand, respectively, from its subsidiary Holdgood Energy Corporation and other non-controlling interests. After the acquisition of shares, the Company's shareholding ratios of the above-mentioned three companies were 80%, 100%, and 100%, respectively.

The share of profit or loss of subsidiaries accounted for using the equity method in 2020 and 2019 was recognized based on the subsidiaries' audited financial statements for the same years.

For changes in the shareholding ratios of partially owned subsidiaries, refer to Note 26; for the details on changes in investments accounted for using the equity method, refer to Statement 4.

### Investments in Associates

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates that are not individually material		
Yuan-Yu Solar Energy Co., Ltd.	<u>\$ 114,252</u>	<u>\$ 119,775</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
<b>Name of Associate</b>	<b>2020</b>	<b>2019</b>
Yuan-Yu Solar Energy Co., Ltd.	20.00%	20.00%

Aggregate information of associates that are not individually material:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of:		
Net loss	\$ (3,941)	\$ (28)
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ (3,941)</u>	<u>\$ (28)</u>

Starting from February 1, 2019, the Company continuously subscribed for additional new shares of Yuan-Yu Solar Energy Co., Ltd., which is engaged in electricity research and development, operations, sales and related consulting services of solar energy generation systems, using cash of \$100 thousand, \$9,900 thousand and \$110,000 thousand. After the subscription of the shares, the Company's shareholding ratio of Yuan-Yu Solar Energy Co., Ltd. was 20%.

Refer to Table 3 of Note 35 for the nature of activities, principal places of business and countries of incorporation of the associates. For details of investments accounted for using the equity method, refer to Table 4.

The Company sold 2,000 thousand shares of its associate HK Energy Co., Ltd. for \$64,057 thousand on April 24, 2019, for a gain on disposal of \$44,094 thousand. As of February 26, 2021, the remaining balance of \$17,700 thousand has been recovered.

The share of profit or loss of the Company's associate accounted for using the equity method, Yuan-Yu Solar Energy Co., Ltd., for the years ended December 31, 2020 and 2019 was based on the associate's audited financial statements for the same years. The share of profit or loss of the Company's associate accounted for using the equity method, HK Energy Co., Ltd., from January 1, 2019 to April 24, 2019 (date of disposal) was based on the associate's audited financial statements for the same period.

## 12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Land	\$ 1,071,526	\$ 1,071,526
Buildings	2,344,234	2,674,037
Machinery	1,391,106	2,167,894
Office equipment	1,423	2,398
Miscellaneous equipment	43,189	52,567
Construction in progress	<u>373</u>	<u>2,104</u>
	<u>\$ 4,851,851</u>	<u>\$ 5,970,526</u>

	Land	Buildings	Machinery	Office Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,071,526	\$ 3,602,084	\$ 5,961,579	\$ 25,123	\$ 255,234	\$ 2,104	\$ 10,917,650
Additions	-	4,501	8,252	-	9,366	288	22,407
Disposals	-	-	(2,835,601)	(317)	(15,217)	-	(2,851,135)
Reclassification	-	1,851	-	-	168	(2,019)	-
Reclassified as investment properties	-	(295,084)	-	-	-	-	(295,084)
Balance at December 31, 2020	<u>1,071,526</u>	<u>3,313,352</u>	<u>3,134,230</u>	<u>24,806</u>	<u>249,551</u>	<u>373</u>	<u>7,793,838</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	-	928,047	3,793,685	22,725	202,667	-	4,947,124
Depreciation expense	-	138,004	392,807	975	17,539	-	549,325
Impairment loss	-	-	381,652	-	-	-	381,652
Disposals	-	-	(2,825,020)	(317)	(13,844)	-	(2,839,181)
Reclassified as investment properties	-	(96,933)	-	-	-	-	(96,933)
Balance at December 31, 2020	-	<u>969,118</u>	<u>1,743,124</u>	<u>23,383</u>	<u>206,362</u>	-	<u>2,941,987</u>
Carrying amount at December 31, 2020	<u>\$ 1,071,526</u>	<u>\$ 2,344,234</u>	<u>\$ 1,391,106</u>	<u>\$ 1,423</u>	<u>\$ 43,189</u>	<u>\$ 373</u>	<u>\$ 4,851,851</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 1,071,526	\$ 3,612,915	\$ 5,957,570	\$ 25,123	\$ 252,559	\$ 1,580	\$ 10,921,273
Additions	-	10,038	7,475	-	4,142	563	22,218
Disposals	-	(20,908)	(3,466)	-	(1,467)	-	(25,841)
Reclassification	-	39	-	-	-	(39)	-
Balance at December 31, 2019	<u>1,071,526</u>	<u>3,602,084</u>	<u>5,961,579</u>	<u>25,123</u>	<u>255,234</u>	<u>2,104</u>	<u>10,917,650</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	-	780,430	3,274,308	21,656	181,082	-	4,257,476
Depreciation expense	-	148,706	519,769	1,069	23,052	-	692,596
Disposals	-	(1,089)	(392)	-	(1,467)	-	(2,948)
Balance at December 31, 2019	-	<u>928,047</u>	<u>3,793,685</u>	<u>22,725</u>	<u>202,667</u>	-	<u>4,947,124</u>
Carrying amount at December 31, 2019	<u>\$ 1,071,526</u>	<u>\$ 2,674,037</u>	<u>\$ 2,167,894</u>	<u>\$ 2,398</u>	<u>\$ 52,567</u>	<u>\$ 2,104</u>	<u>\$ 5,970,526</u>

In accordance with IAS 36 - Impairment of Assets, if any indications of impairment exist for property, plant and equipment, the Company's management should determine whether the recoverable amount of the asset is lower than the book value. After considering future operation plans and existing capacity planning, the Company assessed that some of the machinery and equipment did not meet production requirements, and expected that these assets had no future cash inflows. Therefore, the Company recognized impairment losses of \$381,652 thousand in the first quarter of 2020. The impairment loss is included in other operating income and expenses in the consolidated statements of comprehensive income.

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

Buildings	
Main buildings	50 years
Building improvement	3-20 years
Machinery	3-20 years
Office equipment	3-5 years
Miscellaneous equipment	2-15 years

Refer to Note 32 for details on the purchases of machines required for production and the significant commitments stated in the construction contracts.

Refer to Notes 17 and 31 for the carrying amounts of property, plant and equipment pledged by the Company to secure borrowings.

Refer to Note 22.h for capitalized interest for the years ended December 31, 2020 and 2019.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Buildings	\$ 7,089	\$ 12,556
Transportation equipment	2,048	1,474
Machinery	<u>1,007</u>	<u>5,492</u>
	<u>\$ 10,144</u>	<u>\$ 19,522</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 11,817</u>	<u>\$ 11,489</u>
<u>Depreciation charge for right-of-use assets</u>		
Buildings	\$ 13,888	\$ 14,451
Transportation equipment	2,037	2,201
Machinery	<u>1,148</u>	<u>791</u>
	<u>\$ 17,073</u>	<u>\$ 17,443</u>

#### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Current	<u>\$ 8,658</u>	<u>\$ 10,867</u>
Non-current	<u>\$ 1,809</u>	<u>\$ 8,894</u>

Ranges of discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Buildings	2.78%-2.94%	2.94%
Transportation equipment	2.78%-2.94%	2.94%
Machinery	2.78%-2.94%	2.94%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases and low-value asset leases	\$ <u>896</u>	\$ <u>521</u>
Total cash outflow for leases	\$ <u>(18,431)</u>	\$ <u>(18,342)</u>

The Company's leases of certain parking space qualify as short-term leases and leases of certain photocopiers qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INVESTMENT PROPERTIES

	<b>Buildings</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ -
Reclassification from property, plant and equipment	<u>295,084</u>
Balance at December 31, 2020	<u>295,084</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	-
Reclassification from property, plant and equipment	<u>96,933</u>
Depreciation expenses	<u>10,362</u>
Balance at December 31, 2020	<u>107,295</u>
Carrying amount at December 31, 2020	<u>\$ 187,789</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main building of plant	50 years
Plant improvement	3-20 years

The investment properties are leased out for 3 years, and the lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2020, the maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>December 31, 2020</b>
Year 1	\$ 22,230
Year 2	22,230
Year 3	<u>3,705</u>
	<u>\$ 48,165</u>



The determination of fair value was performed by the management of the Company, which used the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The fair value as appraised was as follows:

	<b>December 31, 2020</b>
Fair value	<u>\$ 203,521</u>

All of the Company's investment properties were held under freehold interests. The investment properties pledged as collateral for bank borrowings are set out in Note 31.

There was no capitalized interest for the investment properties for the year ended December 31, 2020.

## 15. OTHER INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Computer software	<u>\$ 1,436</u>	<u>\$ 3,047</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Cost</u>		
Balance at January 1	\$ 47,186	\$ 46,820
Additions	<u>192</u>	<u>366</u>
Balance at December 31	<u>47,378</u>	<u>47,186</u>
<u>Accumulated amortization</u>		
Balance at January 1	44,139	39,852
Amortization expense	<u>1,803</u>	<u>4,287</u>
Balance at December 31	<u>45,942</u>	<u>44,139</u>
Carrying amount at December 31	<u>\$ 1,436</u>	<u>\$ 3,047</u>

Computer software is amortized on a straight-line basis over 3-5 years.

## 16. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Prepayments	\$ 130,542	\$ 6,695
Prepayments expenses	21,832	21,131
Other financial assets - restricted assets	4,183	162,860
Others	<u>790</u>	<u>3,708</u>
	<u>\$ 157,347</u>	<u>\$ 194,394</u>
<u>Non-current</u>		
Prepayments for equipment (capitalized interest included)	\$ 292,376	\$ 41,782
Other financial assets - restricted assets	79,716	70,188
Refundable deposits	<u>54,023</u>	<u>87,998</u>
	<u>\$ 426,115</u>	<u>\$ 199,968</u>

Other financial assets - restricted assets (current and non-current) were used as pledge deposits and reserve accounts for secured borrowings from performance guarantee, banks and borrowings for purchases. As of December 31, 2020 and 2019, the interest rate range was 0.02%-0.97% and 0.05%-1.90%, respectively; refer to Note 31 for the details.

## 17. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank credit loans	\$ 372,791	\$ 527,348
Bank mortgage loans	<u>141,640</u>	<u>197,800</u>
	<u>\$ 514,431</u>	<u>\$ 725,148</u>
Interest rate interval		
Bank credit loans	1.53%-2.70%	2.46%-5.24%
Bank mortgage loans	2.62%	2.61%

Guarantees provided for the above-mentioned short-term borrowings are disclosed in Note 31.

b. Short-term bills payable

Outstanding short-term bills payable were as follows:

December 31, 2020

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Collateral</b>
<u>Commercial paper</u>					
International Bills Finance Corporation	\$ 30,000	\$ 62	\$ 29,938	2.10%	None
Mega Bills Finance Co., Ltd.	125,000	286	124,714	2.09%	Machinery
Taiwan Cooperative Bills Finance Corporation	<u>125,000</u>	<u>286</u>	<u>124,714</u>	2.09%	Machinery
	<u>\$ 280,000</u>	<u>\$ 634</u>	<u>\$ 279,366</u>		

December 31, 2019: None.

c. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u>		
Syndicated loans	\$ 2,715,870	\$ 2,827,450
Less: Syndicated borrowing administration fee	<u>(19,075)</u>	<u>(5,044)</u>
	2,696,795	2,822,406
Machinery financing	167,551	262,264
Bank mortgage loans	<u>31,523</u>	<u>5,000</u>
	2,895,869	3,089,670
Less: Current portion	<u>(379,434)</u>	<u>(1,425,945)</u>
Long-term borrowings	<u>\$ 2,516,435</u>	<u>\$ 1,663,725</u>

1) Syndicated loans

- a) In September 2015, the Company signed a syndicated loan contract led by Chang Hwa Bank. The total loan amount was \$2,070,000 thousand, and the loan period was extended to November 2020. As of December 31, 2019, the balance was \$1,086,600 thousand and the interest rate was 2.61%.

During the loan period, the Company should maintain the current ratio, debt ratio, interest coverage ratio, net value of tangible assets and actual operating revenue as stated in the contract. If any of the aforementioned ratios were not fulfilled according to the contract, in addition to adjusting the annual interest rate and compensating Chang Hwa Bank, the Company should provide documents that show concrete evidence of improvements being made to the financial ratios to the managing bank immediately. If from the date the financial statements were issued till the date the next semi-annual or annual financial statements were issued, improvements were made such that the required ratios are attained, the Company would be viewed as not in breach of the financial commitments of the contract.

The managing banks of the loan mentioned above sent document No. 1090072 and document No. 1080137 to the Company in May 2020 and August 2019, respectively, where it was agreed that the Company would be exempt from compliance with the financial commitments and the aforementioned required ratios for their 2020 and 2019 semi-annual financial reports and their 2019 annual financial report, and no additional supplementary contract was signed.

In August 2016, the Company signed a syndicated loan contract led by Taiwan Cooperative Bank. The total loan amount was \$1,000,000 thousand, and the loan period was extended to February 2022. As of December 31, 2019, the balance was \$500,000 thousand and the interest rate was 2.61%.

During the loan period, the Company should maintain the current ratio, net debt ratio, interest coverage ratio, and net value of tangible assets in accordance with the contract. If any of the aforementioned ratios was not fulfilled per the contract, the Company should try to improve the ratios by increasing cash capital through the issuance of shares or through other means, and should make a one-time payment of 0.15% of the utilized but unpaid loan amount to the managing bank. If from the date the financial statements were issued till the date the next semi-annual or annual financial statements were issued, improvements were made such that the required ratios are attained, the Company would be viewed as not in breach of the financial commitments of the contract.

The managing banks of the loan mentioned above sent document No. 1090002253 and document No. 1080003121 to the Company in June 2020 and September 2019, respectively, where it was agreed that the Company would be exempt from compliance with the financial commitments and the aforementioned required ratios for their 2020 and 2019 semi-annual financial reports and their 2019 annual financial report, and no additional supplementary contract was signed.

- b) In November 2020, the Group signed a syndicated loan contract led by Taiwan Cooperative Bank. The syndicated loan is mainly for the refinancing of the outstanding syndicated loans as described in a) above, and for supporting long term working capital needs. The total loan amount was \$2,000,000 thousand, and the loan period is till November 2025. The first repayment is made 3 months after the date of initial drawdown (1st period), and subsequent repayments of the principal are made once every period (three months = 1 period), for a total of 20 periods. In the first to twelfth periods, 2% of the principal should be repaid, in the thirteenth to nineteenth periods, 4% of the principal should be repaid, and the remaining amount should be repaid in the last period. As of December 31, 2020, the balance was \$1,600,000 thousand and the interest rate was 2.49%; the balance of short-term bills payable was \$250,000 thousand and the interest rate was 2.09%.

During the loan period, the Company should maintain the current ratio, net debt ratio, interest coverage ratio, and net value of tangible assets in accordance with the contract. If any of the aforementioned ratios was not fulfilled per the contract, the Company should try to improve the ratios by increasing cash capital through the issuance of shares or through other means, and should make a one-time payment of the utilized but unpaid loan amount to the managing bank. If from the date the financial statements were issued till the date the next semi-annual or annual financial statements were issued, improvements were made such that the required ratios are attained, the Company would be viewed as not in breach of the financial commitments of the contract.

- c) In February 2018, the Company signed a syndicated loan contract led by Chang Hwa Bank. The syndicated loan is mainly used for financing the construction of the solar module factory and the purchase of equipment. The total loan amount was \$1,250,000 thousand, and the loan period is till February 2023. The first repayment is made 24 months after the date of initial drawdown (1st period), and subsequent repayments of the principal are made once every period (six months = 1 period), for a total of 7 periods. In the first to fourth periods, 5% of the principal should be repaid, in the fifth and sixth periods, 10% of the principal should be repaid, and the remaining amount should be repaid in the last period. As of December 31, 2020 and 2019, the balance was \$1,115,870 thousand and \$1,240,850 thousand, respectively, and the interest rate was 2.50%.

During the loan period, the Company should maintain the current ratio, debt ratio, interest coverage ratio, net value of tangible assets and actual revenue according to the contract. If any of the aforementioned ratios were not fulfilled according to the contract, in addition to compensating Chang Hwa Bank, the Company should provide documents that show concrete evidence of improvements being made to the financial ratios to the managing bank immediately. If from the date the financial statements were issued till the date the next semi-annual or annual financial statements were issued, improvements were made such that the required ratios are attained, the Company would be viewed as not in breach of the financial commitments of the contract.

The managing banks of the loan mentioned above sent document No. 1090075 and document No. 1080142 to the Company in May 2020 and August 2019, respectively, where it was agreed that the Company would be exempt from compliance with the financial commitments and the aforementioned required ratios for their 2020 and 2019 semi-annual financial reports and their 2019 annual financial report, and no additional supplementary contract was signed.

- 2) The contract period for the financing of machinery is from 1 year and 6 months to 2 years and 6 months, and the principal and interest are repaid monthly.

	December 31	
	2020	2019
Interest rate interval	3.30%-4.93%	3.27%-5.24%

- 3) The contract period of the bank mortgage loan is from 3 years and the principal and interest are repaid monthly.

	December 31	
	2020	2019
Interest rate	2.50%	3.04%

For guarantees provided by the Company for long-term borrowings, refer to Note 31.

## 18. ACCOUNTS PAYABLE

	December 31	
	2020	2019
Accounts payable - operating	<u>\$ 616,254</u>	<u>\$ 386,398</u>

The average credit period for purchases was 60 to 90 days. The Company has established financial risk management policies to ensure that all payables are repaid within the pre-agreed credit periods.

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 87,571	\$ 75,855
Payables for transportation and customs clearance	33,898	34,603
Payables for purchases of equipment	31,729	94,718
Payables for labor and health insurance	12,617	12,023
Payables for labor costs	7,776	7,699
Payables for environmental cost	6,844	4,479
Payables for sales tax	2,068	-
Others	<u>40,827</u>	<u>39,518</u>
	<u>\$ 223,330</u>	<u>\$ 268,895</u>

## 20. RETIREMENT BENEFIT PLANS

### Defined Contribution Plan

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.

Pension expenses for these defined contribution plans are classified under the following accounts:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 23,666	\$ 25,007
Operating expenses	<u>5,360</u>	<u>5,610</u>
	<u>\$ 29,026</u>	<u>\$ 30,617</u>

## 21. EQUITY

### a. Share capital - ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Shares authorized (in thousands of shares)	<u>700,000</u>	<u>700,000</u>
Shares authorized (in thousands of dollars)	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>445,797</u>	<u>379,017</u>
Shares issued and fully paid (in thousands of dollars)	<u>\$ 4,457,967</u>	<u>\$ 3,790,167</u>

The par value of the issued ordinary shares is NT\$10. Each share entitles its holder to the right to vote and to receive dividends.

Of the authorized capital, a total of 50,000 thousand shares should be reserved for employee share option certificates, which should be issued in batches in accordance with the resolution of the board of directors.

The offset of accumulated deficit through a reduction of ordinary share capital was approved in the shareholders' meeting on March 29, 2019. The ratio of the capital reduction was 34.15%, and the amount of capital reduced was \$1,628,383 thousand. The base date for capital reduction was May 14, 2019. The Company completed its registration on May 29, 2019.

The Company issued 65,000 thousand ordinary shares with a par value of \$10, for a consideration of \$7 per share which increased the share capital issued and fully paid to \$379,017 thousand on September 12, 2019. The difference between the issued share capital and the paid-in share capital was \$195,000 thousand, which increased the number of shares issued to 3,790,167 thousand. The Company completed its registration on October 23, 2019.

The Company issued 66,780 thousand ordinary shares with a par value of \$10, for a consideration of \$25.8 per share which increased the share capital issued and fully paid to \$445,797 thousand on December 2, 2020. The Company completed its registration on December 22, 2020.

b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	\$ 1,055,124	\$ -
Exercise of employee share options (Note 25)	48,657	-
<u>May be used to offset a deficit only</u>		
Expired employee share options	49,503	3,933
Others	<u>1,527</u>	<u>1,527</u>
	<u><b>\$ 1,154,811</b></u>	<u><b>\$ 5,460</b></u>

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

The capital surplus from employee share options may not be used for any purpose.

The movements in capital surplus for the years ended December 31, 2020 and 2019 are as follows:

	<b>Capital Surplus</b>	<b>Employee Share Options</b>	<b>Other</b>	<b>Total</b>
Balance at January 1, 2019	\$ 325,375	\$ 6,830	\$ -	\$ 332,205
Offset accumulated deficits	(325,375)	(6,830)	-	(332,205)
Recognized as cost of employee share options	-	3,933	1,527	5,460
Balance at December 31, 2019	-	3,933	1,527	5,460
Issuance of ordinary shares	1,103,781	(48,657)	-	1,055,124
Recognized as cost of employee share options	-	94,227	-	94,227
Balance at December 31, 2020	<u><b>\$ 1,103,781</b></u>	<u><b>\$ 49,503</b></u>	<u><b>\$ 1,527</b></u>	<u><b>\$ 1,154,811</b></u>

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's amended Articles of Incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 22.f.

In addition, in accordance with the dividend policy as stated in the Company's Articles, dividends shall be distributed in an appropriate manner based on the Company's future capital budget and funding needs. Dividends shall be distributed in the form of cash or shares, with the percentage of cash dividends not less than 10% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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 reduction of capital to offset deficits for 2018, which was approved in the shareholders' meeting on March 29, 2019, was as follows:

	<b>Amount</b>
Offset of deficits using legal reserve	\$ 78
Offset of deficits using capital surplus	332,205

The reduction of capital to offset deficits for 2019 was approved in the shareholders' meeting on June 12, 2020.

d. Other equity items

1) Exchange differences on the translation of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (381)	\$ (225)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(399)	(195)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>80</u>	<u>39</u>
Balance at December 31	<u><u>\$ (700)</u></u>	<u><u>\$ (381)</u></u>



2) Unrealized gain on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (175,135)	\$ (175,824)
Recognized for the year		
Unrealized gain - equity instruments	<u>1,243</u>	<u>689</u>
Balance at December 31	<u>\$ (173,892)</u>	<u>\$ (175,135)</u>

## 22. NET LOSS

a. Operating revenue

1) Contract balance

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Accounts receivable (Note 8)	<u>\$ 685,147</u>	<u>\$ 171,646</u>	<u>\$ 320,902</u>
Accounts receivable from related parties (Note 30)	<u>\$ 153,981</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities			
Module sales	<u>\$ 46,708</u>	<u>\$ 84,645</u>	<u>\$ 110,467</u>

Refer to Note 8 for the explanation of accounts receivable generated from contracts.

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

Revenue recognized in the current year from the satisfaction of performance obligations of contract liabilities at the beginning of the year was summarized as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
From contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 84,396</u>	<u>\$ 107,644</u>

2) Details of revenue from contracts with customers

Refer to Statement 11 for further information about the details of revenue.

3) Partially completed contracts

		<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Module sales			
From January 1, 2020 to December 31, 2020		\$ -	\$ 84,645
From January 1, 2021 to December 31, 2021		<u>46,708</u>	<u>-</u>
		<u>\$ 46,708</u>	<u>\$ 84,645</u>
<b>b. Other operating income and expenses</b>			
		<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Impairment loss of property, plant and equipment		\$ (381,652)	\$ -
(Loss) gain on disposal of property, plant and equipment		<u>(2,196)</u>	<u>4</u>
		<u>\$ (383,848)</u>	<u>\$ 4</u>
<b>c. Depreciation and amortization expenses</b>			
		<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Property, plant and equipment		\$ 549,325	\$ 692,596
Right-of-use assets		17,073	17,443
Investment properties		10,362	-
Intangible assets		<u>1,803</u>	<u>4,287</u>
		<u>\$ 578,563</u>	<u>\$ 714,326</u>
An analysis of depreciation by function			
Operating costs		\$ 544,238	\$ 675,487
Operating expenses		<u>32,522</u>	<u>34,552</u>
		<u>\$ 576,760</u>	<u>\$ 710,039</u>
An analysis of amortization by function			
Operating costs		\$ 262	\$ 874
Selling and marketing expenses		4	61
General and administrative expenses		1,535	3,345
Research and development expenses		<u>2</u>	<u>7</u>
		<u>\$ 1,803</u>	<u>\$ 4,287</u>
<b>d. Operating expenses directly related to investment properties</b>			
		<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Generating rental income			
Depreciation expense		<u>\$ 10,362</u>	<u>\$ -</u>

e. Employee benefit expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans (Note 20)	\$ 29,026	\$ 30,617
Share-based payments (Note 25)	94,227	5,460
Payroll expenses	639,641	620,465
Labor and health insurance expenses	62,780	64,238
Remuneration of directors and supervisors	6,155	3,065
Other employee benefits	<u>54,063</u>	<u>54,659</u>
Total employee benefit expenses	<u>\$ 885,892</u>	<u>\$ 778,504</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 648,376	\$ 621,930
Operating expenses	<u>237,516</u>	<u>156,574</u>
	<u>\$ 885,892</u>	<u>\$ 778,504</u>

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors, after offsetting accumulated deficits, if any.

The Company did not estimate employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019 because the Company suffered a net loss before income tax for those years.

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

g. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign currency exchange gains	\$ 107,745	\$ 35,229
Foreign currency exchange losses	<u>(60,019)</u>	<u>(23,883)</u>
Net gain	<u>\$ 47,726</u>	<u>\$ 11,346</u>

h. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense	\$ 90,643	\$ 119,059
Finance costs	25,973	31,677
Interest on lease liabilities	546	617
Others	672	950
Less: Capitalized interest	<u>(2,455)</u>	<u>(489)</u>
	<u>\$ 115,379</u>	<u>\$ 151,814</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Capitalized interest	<u>\$ 2,455</u>	<u>\$ 489</u>
Capitalization rate	2.43%	2.91%

## 23. INCOME TAXES

a. Major components of income tax (benefit) expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax		
In respect of the current year	<u>\$ (41,141)</u>	<u>\$ 17,258</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (41,141)</u>	<u>\$ 17,258</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss before tax from continuing operations	<u>\$ (326,991)</u>	<u>\$ (183,358)</u>
Income tax expense calculated at the statutory rate	\$ (65,398)	\$ (36,672)
Tax-exempt income	-	(8,944)
Nondeductible expenses in determining taxable income	9,633	798
Realized deductible temporary differences	-	(33,780)
Unrecognized loss carryforwards	16,241	93,438
Adjustments for prior years' deferred income tax	<u>(1,617)</u>	<u>2,418</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (41,141)</u>	<u>\$ 17,258</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ <u>80</u>	\$ <u>39</u>

c. Current tax assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	\$ <u>108</u>	\$ <u>111</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Loss carryforwards	\$ 67,234	\$ 112,355	\$ -	\$ 179,589
Impairment loss of property, plant and equipment	90,800	(75,478)	-	15,322
Allowance for bad debts	10,511	(1,836)	-	8,675
Allowance for inventory valuation losses	6,292	2,351	-	8,643
Loss on investments in subsidiaries and associates accounted for using the equity method	4,535	7	-	4,542
Refund liabilities	1,569	906	-	2,475
Unrealized gain on transactions with associates	14	322	-	336
Unrealized loss on financial instruments	-	293	-	293
Exchange differences on the translation of the financial statements of foreign operations	<u>95</u>	<u>-</u>	<u>80</u>	<u>175</u>
	<u>\$ 181,050</u>	<u>\$ 38,920</u>	<u>\$ 80</u>	<u>\$ 220,050</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized foreign exchange gain	\$ <u>2,469</u>	\$ <u>(2,221)</u>	\$ <u>-</u>	\$ <u>248</u>

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Impairment loss of property, plant and equipment	\$ 90,800	\$ -	\$ -	\$ 90,800
Loss carryforwards	75,004	(7,770)	-	67,234
Allowance for bad debts	10,464	47	-	10,511
Allowance for inventory valuation losses	13,950	(7,658)	-	6,292
Loss on investments in subsidiaries and associates accounted for using the equity method	4,529	6	-	4,535
Refund liabilities	750	819	-	1,569
Exchange differences on the translation of the financial statements of foreign operations	56	-	39	95
Unrealized gain on transactions with associates	-	14	-	14
Unrealized foreign exchange loss	<u>247</u>	<u>(247)</u>	<u>-</u>	<u>-</u>
	<u>\$ 195,800</u>	<u>\$ (14,789)</u>	<u>\$ 39</u>	<u>\$ 181,050</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized foreign exchange gain	\$ <u>-</u>	\$ <u>2,469</u>	\$ <u>-</u>	\$ <u>2,469</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss carryforwards	<u>\$ 2,795,711</u>	<u>\$ 2,714,506</u>
Deductible temporary differences		
Impairment loss of financial assets	<u>\$ 1,705</u>	<u>\$ 1,705</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 9,364	2021
140,992	2022
133,526	2027
238,290	2028
89,609	2029
<u>126,950</u>	2030
<u>\$ 738,731</u>	

Information on the above-mentioned unused loss carryforwards includes unused loss carryforwards which are not recognized in deferred income tax assets, which are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss carryforwards		
Expiry in 2022	\$ -	\$ 83,122
Expiry in 2027	104,293	133,526
Expiry in 2028	238,290	238,290
Expiry in 2029	89,609	87,963
Expiry in 2030	<u>126,950</u>	<u>-</u>
	<u>\$ 559,142</u>	<u>\$ 542,901</u>

- g. Income tax assessments

The Company's income tax returns through 2018 have been assessed by the tax authorities.

## 24. LOSS PER SHARE

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

### Net Loss for the Year

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss used in the computation of basic and diluted loss per share	<u>\$ (285,850)</u>	<u>\$ (200,616)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of diluted loss per share	<u>384,491</u>	<u>333,784</u>

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

The Company issued ordinary shares for a capital increase in cash in September 2019, in which a portion of the shares is reserved for employees' subscription, and shared-based payment expenses calculated according to the Black-Scholes model amounted to \$5,460 thousand. An increase in the same amount was recognized for capital surplus.

The Company issued ordinary shares for a capital increase in cash in December 2020, in which a portion of the shares is reserved for employees' subscription, and shared-based payment expenses calculated according to the Black-Scholes model amounted to \$94,227 thousand. An increase in the same amount was recognized for capital surplus.

The employee share options were priced using the Black-Scholes model, and the inputs to the model are disclosed as follows:

	<b>Grant Date</b>	
	<b>December 2, 2020</b>	<b>September 12, 2019</b>
Fair value of options	\$14.11 per share	\$0.84 per share
Exercise price	\$25.80 per share	\$7 per share
Expected life	11 day	13 day
Share price volatility rate	78.79%	37.99%
Risk-free interest rate	0.1918%	0.46%

## 26. PARTIALLY OWNED SUBSIDIARIES - NOT AFFECTING CONTROL

On July 3, 2019, March 20, 2020, and June 1, 2020, the Company subscribed for additional new shares of Holdgood Energy Corporation at a percentage different from its existing ownership percentage, which reduced its continuing interest from 100% to 66.67%, from 66.67% to 61.67%, and from 61.67% to 60.74%, respectively.



On April 23, 2020, the Company acquired 30% of the shares of the non-controlling interests of its subsidiary, Changyang Optoelectronics Corporation, which increased its continuing interest from 50% to 80%. On April 23, 2020, the Company acquired 50% of the shares of the non-controlling interests of its subsidiaries Yunsheng Optoelectronics Corporation and Yunxing Optoelectronics Corporation, which increased its continuing interest from 50% to 100%.

Since the above-mentioned transactions did not change the Company's control over the subsidiaries, they are treated as equity transactions. For the details regarding the partial acquisition of Holdgood Energy Corporation, Changyang Optoelectronics Corporation, Yunsheng Optoelectronics Corporation and Yunxing Optoelectronics Corporation, refer to Note 27 of the Company's consolidated financial statements for the year ended December 31, 2020.

## 27. CASH FLOW INFORMATION

### a. Non-cash transactions

- 1) For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investing and financing activities:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash paid for part of the cost of acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	\$ 22,407	\$ 22,218
Net increase in prepayments for equipment	253,049	29,764
Net increase in payables for purchase of equipment	62,989	157,951
Effect of foreign currency exchange differences	(414)	(1,336)
Cash paid	<u>\$ 338,031</u>	<u>\$ 208,597</u>

- 2) As of December 31, 2020, the remaining \$17,700 thousand due from the disposal of HK Energy Co., Ltd. in April 2019 has not yet been collected, and was recognized as other receivables.

### b. Changes in liabilities arising from financing activities

#### For the year ended December 31, 2020

			<b>Non-cash Changes</b>					
	<b>Balance as of January 1, 2020</b>	<b>Cash Flows</b>	<b>New Leases</b>	<b>Long-term Borrowings - Current Portion</b>	<b>Amortization of Interest Expenses</b>	<b>Effect of Foreign Currency Exchange Differences</b>	<b>Others</b>	<b>Balance as of December 31, 2020</b>
Short-term borrowings	\$ 725,148	\$ (202,453)	\$ -	\$ -	\$ -	\$ (8,264)	\$ -	\$ 514,431
Short-term bills payable	-	279,366	-	-	614	-	(614)	279,366
Long-term borrowings - current portion	1,425,945	(2,140,681)	-	1,094,170	-	-	-	379,434
Long-term borrowings	1,663,725	1,946,880	-	(1,094,170)	-	-	-	2,516,435
Guarantee deposits	2,335	-	-	-	-	-	-	2,335
Lease liabilities	19,761	(16,989)	11,817	-	546	-	(4,668)	10,467
	<u>\$ 3,836,914</u>	<u>\$ (133,877)</u>	<u>\$ 11,817</u>	<u>\$ -</u>	<u>\$ 1,160</u>	<u>\$ (8,264)</u>	<u>\$ (5,282)</u>	<u>\$ 3,702,468</u>

#### For the year ended December 31, 2019

			<b>Non-cash Changes</b>					
	<b>Balance as of January 1, 2019</b>	<b>Cash Flows</b>	<b>New Leases</b>	<b>Long-term Borrowings - Current Portion</b>	<b>Amortization of Interest Expenses</b>	<b>Effect of Foreign Currency Exchange Differences</b>	<b>Others</b>	<b>Balance as of December 31, 2019</b>
Short-term borrowings	\$ 887,844	\$ (152,579)	\$ -	\$ -	\$ -	\$ (10,117)	\$ -	\$ 725,148
Short-term bills payable	29,989	(29,989)	-	-	570	-	(570)	-
Long-term borrowings - current portion	389,343	(453,332)	-	1,489,934	-	-	-	1,425,945
Long-term borrowings	2,835,010	318,649	-	(1,489,934)	-	-	-	1,663,725
Guarantee deposits	-	2,335	-	-	-	-	-	2,335
Lease liabilities	25,476	(17,204)	11,489	-	617	-	(617)	19,761
	<u>\$ 4,167,662</u>	<u>\$ (332,120)</u>	<u>\$ 11,489</u>	<u>\$ -</u>	<u>\$ 1,187</u>	<u>\$ (10,117)</u>	<u>\$ (1,187)</u>	<u>\$ 3,836,914</u>

## 28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the 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 Company will review the capital structure periodically according to the economic environment and business considerations. Based on the recommendations of the management, the Company will adjust the number of new shares issued or the amount of new debt issued in order to balance the overall capital structure.

## 29. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values (or their fair values cannot be reliably measured).

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

#### 1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 60,006	\$ -	\$ -	\$ 60,006
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Overseas corporate unlisted shares	\$ -	\$ -	\$ 6,455	\$ 6,455
<u>Financial liabilities at FVTPL</u>				
Derivatives	\$ -	\$ 1,464	\$ -	\$ 1,464

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Overseas corporate unlisted shares	\$ -	\$ -	\$ 5,212	\$ 5,212

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
Derivatives - foreign exchange forward contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

For the year ended December 31, 2020

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1	\$ 5,212
Recognized in other comprehensive income (included in unrealized gain of financial assets at FVTOCI)	<u>1,243</u>
Balance at December 31	<u>\$ 6,455</u>
Recognized in other gains and losses - unrealized	<u>\$ 1,243</u>

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1	\$ 4,523
Recognized in other comprehensive income (included in unrealized gain of financial assets at FVTOCI)	<u>689</u>
Balance at December 31	<u>\$ 5,212</u>
Recognized in other gains and losses - unrealized	<u>\$ 689</u>

4) Valuation techniques and assumption applied for Level 3 fair value measurement

The fair values of overseas unlisted corporate equity investments are estimated using the market approach with reference to the net value stated in the most recent financial statements of the investee company and based on the evaluation of similar companies and the operations of the investee company.

c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 60,006	\$ -
Financial assets at amortized cost (1)	2,615,248	934,415
Financial assets at FVTOCI		
Equity instruments	6,455	5,212
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	1,464	-
Financial liabilities at amortized cost (2)	4,422,813	4,378,401

- 1) The balances include financial assets at amortized cost, which comprise cash, accounts receivable, accounts receivable - related parties, other accounts receivable (excluding tax refund receivable), refundable deposits (as other non-current assets) and other financial assets - restricted (recognized as other current and non-current assets).
- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables (excluding wage payables, labor and medical insurance, pension and sales tax) and bonds issued.

d. Financial risk management objectives and policies

The Company's major financial instruments include financial assets at FVTPL, financial assets measured at FVTOCI, accounts receivable, accounts payable, short-term, long-term debt and lease liabilities etc. The Company's corporate treasury function coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

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

a) Foreign currency risk

For the carrying amounts of monetary assets and monetary liabilities denominated in the non-functional currency at the balance sheet date (including monetary items denominated in non-functional currencies in the financial statements), refer to Note 34.

### Sensitivity analysis

The Company is mainly exposed to the U.S. dollar.

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

	<b>U.S. Dollar</b>	
	<b>USD:NTD</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit (loss)	\$ 23,468	\$ 24,327

The sensitivity of the Company to the US dollar decreased during the current period, mainly due to the decrease in short-term borrowings denominated in US dollars during the current period.

#### b) Interest rate risk

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial liabilities	\$ 457,383	\$ 282,025
Cash flow interest rate risk		
Financial assets	1,690,992	653,079
Financial liabilities	3,242,750	3,552,554

### Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Company's pretax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by \$3,879 thousand and \$7,249 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate risks on its long-term borrowings.

The Company's interest rate sensitivity increased during the period, which was mainly due to an increase in bank deposits with variable interest rates.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, is primarily equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company's concentration of credit risk of 67.86% and 46.71% in total trade receivables as of December 31, 2020 and 2019, respectively, was related to the Company's ten largest customers.

## 3) Liquidity risk

The Company managed and maintained sufficient cash and cash equivalents to support the operations of the Company and mitigate the impact of fluctuations in cash flows with long-term borrowings of \$1,946,880 thousand and \$318,649 thousand in 2020 and 2019, respectively, and increased capital by \$1,722,924 thousand and \$455,000 thousand, respectively. The Group's management supervised the use of bank financing quotas and ensures compliance with the terms of the loan contract.

### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturities for its borrowings with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

Bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the bank choosing to exercise their rights.

#### December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1 Month - 3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Variable interest rate liabilities	\$ 48,650	\$ 422,321	\$ 390,364	\$ 2,617,523
Fixed interest rate liabilities	15,190	307,487	60,184	69,593
Non-interest bearing liabilities	230,259	304,150	198,736	-
Lease liabilities	<u>1,287</u>	<u>2,575</u>	<u>4,817</u>	<u>1,830</u>
	<u>\$ 295,386</u>	<u>\$ 1,036,533</u>	<u>\$ 654,101</u>	<u>\$ 2,688,946</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5 -10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Lease liabilities	<u>\$ 8,679</u>	<u>\$ 1,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1 Month - 3 Months</b>	<b>Over 3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Variable interest rate liabilities	\$ 42,660	\$ 450,934	\$ 1,527,308	\$ 1,684,273
Fixed interest rate liabilities	24,094	44,081	148,529	51,103
Non-interest bearing liabilities	206,494	203,786	153,303	-
Lease liabilities	<u>1,480</u>	<u>2,961</u>	<u>6,825</u>	<u>10,114</u>
	<u>\$ 274,728</u>	<u>\$ 701,762</u>	<u>\$ 1,835,965</u>	<u>\$ 1,745,490</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5 -10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Lease liabilities	<u>\$ 11,266</u>	<u>\$ 6,393</u>	<u>\$ 1,329</u>	<u>\$ 1,329</u>	<u>\$ 1,063</u>

b) Liquidity and interest rate risk for derivative financial liabilities

The following table details the Company's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ -	\$ -	\$ 33,624	\$ -
Outflows	<u>-</u>	<u>-</u>	<u>(35,088)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,464)</u>	<u>\$ -</u>

c) Financing facilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 459,508	\$ 574,850
Amount unused	<u>585,160</u>	<u>507,524</u>
	<u>\$ 1,044,668</u>	<u>\$ 1,082,374</u>
Secured bank overdraft facilities:		
Amount used	\$ 2,145,645	\$ 3,301,463
Amount unused	<u>424,734</u>	<u>-</u>
	<u>\$ 2,570,379</u>	<u>\$ 3,301,463</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

The terms of the transactions and the prices are negotiated separately, details of the transactions are disclosed below:

a. The Company's related parties

<b>Related Party</b>	<b>Relationship with the Company</b>
Holdgood Energy Corporation	Subsidiary
Yuan-Yu Solar Energy Co., Ltd.	Associate

b. Operating revenue

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Sales	Associate	\$ 214,100	\$ -
	Subsidiary	<u>87,140</u>	<u>16,970</u>
		<u>\$ 301,240</u>	<u>\$ 16,970</u>

The prices and collection period of sales transactions are based on the contract, which are similar to those of other companies in general.

c. Rental revenue

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Rental revenue	Subsidiary - Holdgood Energy Corporation	<u>\$ 495</u>	<u>\$ 189</u>

The rental amount is determined by negotiations and collected on a monthly basis.



d. Other revenue

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Other revenue	Associate - Yuan-Yu Solar Energy Co., Ltd.	\$ <u>2,040</u>	\$ <u>932</u>

Other revenue refers to amounts charged to associates and power plant maintenance cleaning costs.

e. Accounts receivable - associates

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Accounts receivable - associates	Subsidiary - Holdgood Energy Corporation	\$ 79,375	\$ -
	Associate - Yuan-Yu Solar Energy Co., Ltd.	<u>74,606</u>	<u>-</u>
		<u>\$ 153,981</u>	<u>\$ -</u>

No collateral was received for outstanding accounts receivable - related parties. No allowance for bad debt was required for accounts receivable - related parties as of December 31, 2020.

f. Other receivables

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Other receivables	Associate - Yuan-Yu Solar Energy Co., Ltd.	\$ 170	\$ 170
	Subsidiary - Holdgood Energy Corporation	<u>65</u>	<u>127</u>
		<u>\$ 235</u>	<u>\$ 297</u>

Refers to amounts charged to subsidiary and associate.

g. Contract liabilities

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Contract liabilities	Associate - Yuan-Yu Solar Energy Co., Ltd.	\$ <u>37,645</u>	\$ <u>-</u>

h. Disposal of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31, 2020	
	Proceeds	Gain (Loss) on Disposal
Subsidiary - Holdgood Energy Corporation	\$ 22,897	\$ -

Disposal of property, plant and equipment is the sale of solar energy equipment for funding of the subsidiaries' operations, and the price of disposal is determined through negotiations.

i. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 28,639	\$ 25,419
Post-employment benefits	<u>523</u>	<u>540</u>
	<u>\$ 29,162</u>	<u>\$ 25,959</u>

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

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for import duties, bank borrowings, borrowings for the purchase of material, power plant business and other credit facilities:

	December 31	
	2020	2019
Land	\$ 1,071,526	\$ 1,071,526
Buildings	2,059,157	2,342,225
Machinery	1,035,348	1,293,223
Investment properties	157,717	-
Other financial assets - restricted assets (recognized as other current and non-current asset)	<u>83,899</u>	<u>233,048</u>
	<u>\$ 4,407,647</u>	<u>\$ 4,940,022</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2020 and 2019, significant commitments of the Company were as follows:

a. Commitments for construction contracts

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Purchased	\$ 745,947	\$ 753,878
To be purchased in the future	<u>85,435</u>	<u>59,765</u>
	<u>\$ 831,382</u>	<u>\$ 813,643</u>

b. Commitments for material purchasing contracts

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Purchased	\$ 745,947	\$ 568,782
To be purchased in the future	<u>1,189,366</u>	<u>683,663</u>
	<u>\$ 1,935,313</u>	<u>\$ 1,252,445</u>

c. Commitments for equipment purchasing contracts

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Purchased	\$ 501,538	\$ 243,269
To be purchased in the future	<u>578,348</u>	<u>90,353</u>
	<u>\$ 1,079,886</u>	<u>\$ 333,622</u>

### 33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On February 25, 2021, the board of directors proposed to conduct a cash capital increase via private placement of preferred shares - A pursuant to Article 43-6 of the Securities and Exchange Act, up to a maximum of 75,000 thousand shares with a face value of \$10. The private placement of shares will be conducted either in batches or all at once within one year from the date of resolution of the shareholders in their meeting in 2021.

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

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies (including monetary items that have been written off in a non-functional currency in the financial statements) and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,918	28.48 (USD:NTD)	\$ 310,945
Non-monetary items			
USD	265	28.48 (USD:NTD)	7,540
JPY	23,364	0.2763 (JPY:NTD)	6,455
<u>Financial liabilities</u>			
Monetary items			
USD	27,398	28.48 (USD:NTD)	780,295

December 31, 2019

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,401	29.98 (USD:NTD)	\$ 251,862
Non-monetary items			
USD	266	29.98 (USD:NTD)	
JPY	18,884	0.2760 (JPY:NTD)	7,976
			5,212
<u>Financial liabilities</u>			
Monetary items			
USD	24,630	29.98 (USD:NTD)	738,407

The significant unrealized foreign exchange gains were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Unrealized Foreign Exchange Gains</b>	<b>Exchange Rate</b>	<b>Unrealized Foreign Exchange Gains</b>
USD	29.5490 (USD:NTD)	<u>\$ 2,830</u>	30.91 (USD:NTD)	<u>\$ 12,181</u>

### **35. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries): Table 1 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 9) Trading in derivative instruments: Notes 7 and 29
- 10) Information on investees (excluding investees in mainland China): Table 3 (attached)

b. Information on investments in mainland China: None

c. Information of major shareholders: Table 4 (attached)

**TABLE 1**

**TSEC CORPORATION**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
TSEC Corporation (the “Company”)	<u>Fund</u> Nomura Taiwan Money Fund	-	Financial assets at fair value through profit or loss (FVTPL)	3,040,937	\$ 50,005	-	\$ 50,005	Note 1
	Union Money Market Fund	-	Financial assets at fair value through profit or loss (FVTPL)	751,405	10,001	-	10,001	Note 1
	<u>Foreign unlisted preferred shares</u> SAGA Heavy Ion Medical Accelerator in Tosu	-	Financial assets at fair value through other comprehensive income (FVTOCI)	350	6,455	-	6,455	Note 2
	<u>Domestic unlisted ordinary shares</u> Eversol Corporation	-	Financial assets at fair value through other comprehensive income (FVTOCI)	62,591	-	2.23	-	-

- Note 1: The fair value of the mutual fund was calculated based on the net asset value of the mutual fund on December 31, 2020.
- Note 2: The fair value of foreign unlisted corporate equity investments are estimated using the market approach with reference to the net value of the investee company in its most recent financial statements of the invested company and based on the evaluation of similar companies and the operations of the investee company.
- Note 3: None of the marketable securities held at the end of the period listed in the table above were pledged as collateral.

**TABLE 2**

**TSEC CORPORATION**

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

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Credit Period	Unit Price	Credit Period	Ending Balance	% of Total	
TSEC Corporation	Yun-Yu Solar Energy Co., Ltd.	Associate	Sale	\$ 214,100	4.55	30-40 days	-	-	\$ 74,606	8.89	Note 1

Note 1: The Company transacts with Yun-Yu Solar Energy Co., Ltd. directly and the relevant price and credit period are based on either the contract or by negotiations.

**TABLE 3**

**TSEC CORPORATION**

**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Business and Products	Investment Amount		December 31, 2020			Net Income (Loss) of the Investee	Share of Profit	Other Items
				December 31, 2020	December 31, 2019	Number of Shares	%	Carrying Amount			
TSEC Corporation	TSEC AMERICA, INC.	1235 N Harbor Blvd Ste 240, Fullerton, CA 92832, U.S.A.	Sales of solar related products	\$ 31,129 (US\$ 1,000,000)	\$ 31,129 (US\$ 1,000,000)	100	100	\$ 7,540	\$ (37)	\$ (37)	Notes 1 and 3
	Holdgood Energy Corporation	8F., No. 225, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	31,584	10,000	3,158	60.74	33,450 (Note 4)	2,409	1,414	Note 1
	Houxin Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	500	500	50	100	438	-	-	Note 1
	Houchang Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	500	500	50	100	453	-	-	Note 1
	Changyang Optoelectronics Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	400	-	40	80	382	(23)	(18)	Note 1
	Yunsheng Optoelectronics Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	500	-	50	100	477	(23)	(23)	Note 1
	Yunxing Optoelectronics Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	500	-	50	100	477	(23)	(23)	Note 1
	Yuan-Yu Solar Energy Co., Ltd.	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	120,000	120,000	12,000	20	114,252 (Note 4)	(15,790)	(3,941)	Note 2
Hou Gu Energy Development Corporation	Changyang Optoelectronics Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	100	-	10	20	95	(23)	(5)	Note 1
Hou Shing Energy Corporation	Shouhou Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	100	100	10	100	89	-	-	Note 1
	Shuoda Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	100	100	10	100	89	-	-	Note 1
	Hsinchang Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	100	100	10	100	89	-	-	Note 1
Hou Chang Energy Corporation	Hengyong Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	100	100	10	100	89	-	-	Note 1
	Hengli Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	100	100	10	100	89	-	-	Note 1
	Yongli Energy Corporation	No. 335-12, Daxi Rd., Pingtung City, Pingtung County 900053, Taiwan (R.O.C.)	Self-usage power generation equipment utilizing renewable energy industry	100	100	10	100	89	-	-	Note 1

Note 1: The investment gains and losses of the subsidiaries accounted for using the equity method are calculated based on the financial statements that have been audited.

Note 2: The investment gains and losses of the associates accounted for using the equity method are calculated based on the financial statements that have been audited.

Note 3: The board of directors resolved to liquidate and dissolve the subsidiary TSEC America, Inc. on September 11, 2018. As of February 25, 2021, TSEC America, Inc. has not completed the liquidation procedures.

Note 4: Carrying amount includes unrealized gross margin.



**TABLE 4****TSEC CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Farglory Land Development Co., Ltd.	26,520,764	5.94

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

# TSEC CORPORATION

## STATEMENTS OF MAJOR ACCOUNTING ITEMS

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<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of financial assets at FVTPL	Note 7
Statement of accounts receivable, net	2
Statement of inventories	3
Statement of other receivables	Note 8
Statement of financial assets at FVTOCI	Note 10
Statement of changes in investments accounted for using the equity method	4
Statement of changes in property, plant and equipment	Note 12
Statement of changes in accumulated depreciation and accumulated impairment of property, plant and equipment	Note 12
Statement of changes in right-of-use assets	5
Statement of changes in accumulated depreciation of right-of-use assets	6
Statement of changes in investment properties	Note 14
Statement of changes in accumulated depreciation of investment properties	Note 14
Statement of changes in other intangible assets	Note 14
Statement of deferred income tax assets	Note 23
Statement of other non-current assets	Note 15
Statement of short-term loans	Note 17
Statement of short-term bills payable	Note 17
Statement of contract liabilities	7
Statement of accounts payable	8
Statement of other payables	Note 19
Statement of lease liabilities	10
Statement of current portion of long-term borrowings	9
Statement of long-term borrowings	9
Major Accounting Items in Profit or Loss	
Statement of operating revenue	11
Statement of operating costs	12
Statement of manufacturing expenses	13
Statement of operating expenses	14
Statement of other operating income and expenses	Note 22
Statement of labor, depreciation and amortization by function	15

**STATEMENT 1****TSEC CORPORATION****STATEMENT OF CASH****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Petty cash		\$ 649
Checking accounts		8,928
Demand deposits		
NTD		1,373,360
USD	US\$649 thousand @28.48	18,508
EUR	EUR5 thousand @35.02	183
Cash equivalents		
Time deposits		<u>215,042</u>
		<u>\$ 1,616,670</u>

**TSEC CORPORATION****STATEMENT OF ACCOUNTS RECEIVABLE, NET****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Non-related party	
Client A	\$ 274,643
Client B	73,232
Client C	50,952
Client D	46,116
Others (Note)	<u>292,487</u>
	737,430
Less: Allowance for doubtful accounts	<u>(52,283)</u>
	<u>\$ 685,147</u>
Related party	
Hou Gu Energy Development Corporation	\$ 79,375
Yuan-Yu Solar Energy Co., Ltd.	<u>74,606</u>
	<u>\$ 153,981</u>

Note: The amount from each individual client included under 'Others' does not exceed 5% of the total account balance.

**TSEC CORPORATION****STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Raw materials	\$ 503,168	\$ 482,875
Finished goods	291,881	273,155
Work in process	<u>54,773</u>	<u>50,581</u>
	849,822	<u>\$ 806,611</u>
Less: Allowance for inventory valuation and obsolescence losses	<u>(43,211)</u>	
	<u>\$ 806,611</u>	

## TSEC CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Investee	Balance, January 1, 2020		Increase in Investment (Note 1)		Profit or Loss from Investments (Notes 2 and 3)	Exchange Differences from Translation of Financial Statements of Associates Accounted for Using the Equity Method	Deferred Realized (Unrealized) Gross Profit	Balance, December 31, 2020			Net Asset Value	Collateral
	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	%	Amount		
Subsidiaries												
Holdgood Energy Corporation	1,000,000	\$ 10,481	2,158,350	\$ 21,584	\$ 1,414	\$ -	\$ (29)	3,158,350	60.74	\$ 33,450	\$ 33,550	NA
TSEC America, Inc.	100,000	7,976	-	-	(37)	(399)	-	100,000	100.00	7,540	7,540	NA
Yunsheng Optoelectronics Corporation	-	-	50,000	500	(23)	-	-	50,000	100.00	477	477	NA
Yunxing Optoelectronics Corporation	-	-	50,000	500	(23)	-	-	50,000	100.00	477	477	NA
Houchang Energy Corporation	50,000	453	-	-	-	-	-	50,000	100.00	453	453	NA
Houxin Energy Corporation	50,000	438	-	-	-	-	-	50,000	100.00	438	438	NA
Changyang Optoelectronics Corporation	-	-	40,000	400	(18)	-	-	40,000	80.00	382	382	NA
Associates												
Yuan-Yu Solar Energy Co., Ltd.	12,000,000	<u>119,775</u>	-	<u>-</u>	<u>(3,941)</u>	<u>-</u>	<u>(1,582)</u>	12,000,000	20.00	<u>114,252</u>	<u>115,834</u>	NA
		<u>\$ 139,123</u>		<u>\$ 22,984</u>	<u>\$ (2,628)</u>	<u>\$ (399)</u>	<u>\$ (1,611)</u>			<u>\$ 157,469</u>	<u>\$ 159,151</u>	

Note 1: The increase in investments in Holdgood Energy Corporation in the current year was due to an additional investment of 2,158,350 shares (in the amount of \$21,584 thousand); the increase in investments in Changyang Optoelectronics Corporation was due to an additional investment of 40,000 shares (in the total amount of \$400 thousand); the increase in investments in Yunsheng Optoelectronics Corporation was due to the establishment and an additional investment of 50,000 shares (in the amount of \$500 thousand); the increase in investments in Yunxing Optoelectronics Corporation was due to the establishment and an additional investment of 50,000 shares (in the amount of \$500 thousand).

Note 3: The investees are recognized based on the audited financial statements.

Note 4: The associate Yuan-Yu Solar Energy Co., Ltd. was recognized based on the audited financial statements.

**TSEC CORPORATION****STATEMENT OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Name</b>	<b>Balance at January 1</b>	<b>Increase during the Year (Note 1)</b>	<b>Decrease during the Year (Note 2)</b>	<b>Balance at December 31</b>
Cost				
Buildings	\$ 27,007	\$ 8,851	\$ 10,069	\$ 25,789
Transportation equipment	3,675	2,611	2,518	3,768
Machinery	<u>6,283</u>	<u>355</u>	<u>4,328</u>	<u>2,310</u>
	<u>\$ 36,965</u>	<u>\$ 11,817</u>	<u>\$ 16,915</u>	<u>\$ 31,867</u>

Note 1: The increase in right-of-use assets was due to the new leases.

Note 2: The decrease in right-of-use assets was due to the leases that have expired or were terminated early.

**TSEC CORPORATION****STATEMENT OF ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

---

<b>Name</b>	<b>Balance at January 1</b>	<b>Increase during the Year</b>	<b>Decrease during the Year (Note)</b>	<b>Balance at December 31</b>
Accumulated depreciation				
Buildings	\$ 14,451	\$ 13,888	\$ 9,639	\$ 18,700
Transportation equipment	2,201	2,037	2,518	1,720
Machinery	<u>791</u>	<u>1,148</u>	<u>636</u>	<u>1,303</u>
	<u>\$ 17,443</u>	<u>\$ 17,073</u>	<u>\$ 12,793</u>	<u>\$ 21,723</u>

Note: For the reason for the decrease during the year, refer to statement 5 of Note 2.



**TSEC CORPORATION****STATEMENT OF CONTRACT LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Yuan-Yu Solar Energy Co., Ltd.	\$ 37,645
Others (Note)	<u>9,063</u>
	<u>\$ 46,708</u>

Note: The amount of contract liabilities due to each individual under “Others” does not exceed 5% of total account balance.

**TSEC CORPORATION****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

---

<b>Vendor Name</b>	<b>Amount</b>
Vendor E	\$ 61,010
Vendor F	60,824
Vendor G	58,667
Vendor H	50,718
Vendor I	45,052
Vendor J	38,263
Vendor K	36,683
Others (Note)	<u>265,037</u>
	<u>\$ 616,254</u>

Note: The amount of accounts payable due to each individual vendor under “Others” does not exceed 5% of the total account balance.

## TSEC CORPORATION

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Name	Creditor	Repayment Method	Annual Rate (%)	Amount		Collateral
				Current Portion	Non-current Portion	
Syndicated loan	Syndicated loan led by Taiwan Cooperative Bank	Note 1	2.49	\$ 128,000	\$ 1,472,000	Land, buildings and other financial assets - restricted assets
Syndicated loan	Syndicated loan led by Chang Hwa Commercial Bank	Note 2	2.50	124,085	991,785	Land, buildings and other financial assets - restricted assets
Less: Syndicated borrowing administration fee				<u>(2,006)</u>	<u>(17,069)</u>	
				<u>250,079</u>	<u>2,446,716</u>	
Loan for the financing of machinery	Yiho International Leasing Co., Ltd.	Term of contract is one and a half years from August 2019, repayment of principal and interest on a monthly basis	4.93	4,488	-	Machines
Loan for the financing of machinery	Shinshin Credit Corporation	Term of contract is one and a half years from December 2019, repayment of principal and interest on a monthly basis	3.80	11,697	-	Machines
Loan for the financing of machinery	IBT Leasing Co., Ltd.	Term of contract is one and a half years from June 2020, repayment of principal and interest on a monthly basis	4.00	8,661	758	Machines
Loan for the financing of machinery	Shinshin Credit Corporation	Term of contract is three years from July 2020, repayment of principal and interest on a monthly basis	3.96	14,762	28,154	Machines
Loan for the financing of machinery	Chailease Finance Co., Ltd.	Term of contract is three years from August 2020, repayment of principal and interest on a monthly basis	4.06	16,006	18,592	Machines
Loan for the financing of machinery	Hotai Finance Corporation	Term of contract is two and a half years from September 2020, repayment of principal and interest on a monthly basis	3.84	15,784	20,277	Machines
Loan for the financing of machinery	SinoPac Leasing Corporation	Term of contract is one and a half years from November 2020, repayment of principal and interest on a monthly basis	3.30	<u>28,372</u>	<u>-</u>	Machines
				<u>99,770</u>	<u>67,781</u>	
Bank mortgage loan	Taiwan Business Bank	Term of contract is two years from January 2020, repayment of principal and interest on a monthly basis	2.50	<u>29,585</u>	<u>1,938</u>	Machines
				<u>\$ 379,434</u>	<u>\$ 2,516,435</u>	

Note 1: The first repayment should be made after 3 months from November 16, 2020, and the repayment of the loan should be made once every period for a total of 20 periods, where 1 period is equivalent to 3 months. In the first to twelfth periods, 2% of the principal should be repaid every period, in the thirteenth to nineteenth periods, 4% of the principal should be repaid, and the remaining amount is to be repaid in full on the maturity date of the loan.

Note 2: The first repayment should be made after 24 months from February 23, 2018, and the repayment of the loan should be made once every period for a total of 7 periods, where 1 period is equivalent to 6 months. In the first to fourth periods, 5% of the principal should be repaid every period, in the fifth and sixth periods, 10% of the principal should be repaid, and the remaining amount is to be repaid in full on the maturity date of the loan.

**TSEC CORPORATION****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**


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<b>Item category</b>	<b>Item</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Balance, End of Year</b>	<b>Note</b>
Buildings	Office and staff dormitory	2016.7.1- 2022.12.31	2.78-2.94	\$ 7,188	
Machinery	R&D equipment	2019.6.1- 2022.5.1	2.78-2.94	1,029	
Transportation equipment	Company car	2018.6.8- 2022.6.7	2.78-2.94	<u>2,250</u>	
				<u>\$ 10,467</u>	

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

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Sales revenue		
Total sales revenue	Solar module sales	\$ 4,613,301
	Power plant sales	127,916
	Sale of electricity	<u>8,304</u>
		4,749,521
Less: Sales returns and allowances		<u>(46,655)</u>
Operating revenue		<u>\$ 4,702,866</u>

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


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<b>Item</b>	<b>Amount</b>
Raw material cost	
Balance, beginning of year	\$ 240,278
Raw materials purchased	3,035,212
Raw materials, end of year	(503,168)
Transferred to manufacturing expenses	(241,110)
Transferred to operating expenses	<u>(4,790)</u>
	2,526,422
Direct labor	539,880
Manufacturing expenses	<u>1,148,328</u>
Manufacturing cost	4,214,630
Work in process, beginning of year	35,842
Work in process, end of year	<u>(54,773)</u>
Cost of finished goods	4,195,699
Finished goods, beginning of year	235,900
Allowance for inventory valuation loss	(11,756)
Finished goods, end of year	(291,881)
Transferred to manufacturing expenses	(33,311)
Transferred to operating expenses	(7)
Transferred to power plant cost	<u>(32,262)</u>
	<u>4,085,894</u>
Module cost transferred to power plant cost	32,262
Power plant engineering cost	<u>80,826</u>
	<u>113,088</u>
Cost of sale of electricity	<u>19,281</u>
	<u>\$ 4,218,263</u>

**TSEC CORPORATION****STATEMENT OF MANUFACTURING EXPENSES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Depreciation expense	\$ 544,238
Indirect material cost	144,615
Hydroelectric gas fees	113,753
Employees' wages	108,496
Consumables	98,331
Others (Note)	<u>138,895</u>
	<u>\$ 1,148,328</u>

Note: The amount of each item under "Others" does not exceed 5% of the total account balance.

## TSEC CORPORATION

## STATEMENT OF OPERATING EXPENSES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

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Item	Selling Expenses	General and Administrative Expenses	Research And Development Expenses	Expected Credit Loss Reversed	Total
Employees' wages	\$ 30,962	\$ 188,181	\$ 18,373	\$ -	\$ 237,516
Depreciation expense	5,823	23,261	3,438	-	32,522
Delivery fee	19,399	15	213	-	19,627
Gain on recovery of bad debt	-	-	-	(2,534)	(2,534)
Others (Note)	<u>34,677</u>	<u>50,273</u>	<u>25,661</u>	<u>-</u>	<u>110,611</u>
	<u>\$ 90,861</u>	<u>\$ 261,730</u>	<u>\$ 47,685</u>	<u>\$ (2,534)</u>	<u>\$ 397,742</u>

Note: The amount of each item under "Others" does not exceed 5% of the total account balance.



## TSEC CORPORATION

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

	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Labor cost (Note)						
Share-based payments	\$ -	\$ 94,227	\$ 94,227	\$ -	\$ 5,460	\$ 5,460
Payroll expenses	526,179	113,462	639,641	497,647	122,818	620,465
Labor and health insurance expenses	52,037	10,743	62,780	52,818	11,420	64,238
Pension	23,666	5,360	29,026	25,007	5,610	30,617
Remuneration of directors and supervisors	-	6,155	6,155	-	3,065	3,065
Others	46,494	7,569	54,063	46,458	8,201	54,659
	<u>\$ 648,376</u>	<u>\$ 237,516</u>	<u>\$ 885,892</u>	<u>\$ 621,930</u>	<u>\$ 156,574</u>	<u>\$ 778,504</u>
Depreciation	<u>\$ 544,238</u>	<u>\$ 32,522</u>	<u>\$ 576,760</u>	<u>\$ 675,487</u>	<u>\$ 34,552</u>	<u>\$ 710,039</u>
Amortization	<u>\$ 262</u>	<u>\$ 1,541</u>	<u>\$ 1,803</u>	<u>\$ 874</u>	<u>\$ 3,413</u>	<u>\$ 4,287</u>

Note 1: As of December 31, 2020 and 2019, the Company had 1,160 and 1,131 employees, respectively. There were 5 non-employee directors for both years.

Note 2: a) Average labor costs for the years ended December 31, 2020 and 2019 were \$762 thousand and \$689 thousand, respectively.

b) Average salary and bonus for the years ended December 31, 2020 and 2019 were \$554 thousand and \$551 thousand, respectively.

Note 3: The average salary and bonus increased by 0.5% year over year.

Note 4: The Company's compensation policies

Principles of the formulation of the Company's compensation policies

- Employees' compensation: Employees' compensation mainly includes basic salary (including base salary and meal allowance), performance bonus, personal performance annual salary adjustment and year-end bonus, etc. Salaries are determined based on the market rate, job category, academic experience, professional knowledge and skills, and professional years of experience; salaries offered are better than the average market salary in the same industry.
- Remuneration of managers is determined based on the Company's profitability and business strategy as well as the performance and contribution of the managers with reference to the market salary, and is reviewed by the compensation committee and submitted to the board of directors for approval.
- Employees' bonuses: Bonuses are issued based on the Company's operating performance and the individual performance of the employees.
- Annual salary adjustments: The Company conducts salary adjustments once a year to motivate the long-term development of employees, taking into consideration the overall economic environment, operating profit, employee performance appraisal results, with reference to the average market salary and overall salary adjustment situation of other companies in the same industry.

Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors, after offsetting accumulated deficits, if any.