

**KAIMEI ELECTRONIC CORP. (FORMERLY
KNOWN AS TEAPO ELECTRONIC LTD.)**

Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

Address: 13F, No.81, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan
Telephone: (02)2698-1010

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.):

Opinion

We have audited the financial statements of KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.) (“the Company”), which comprise the balance sheets as of December 31, 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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 its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

1. The loss allowance for trade receivables of the Company and its subsidiaries investments accounted for using equity method

For the accounting policy of allowance for trade receivables, please refer to Note 4(g)(i) 6 “impairment of financial assets”; for the uncertainty of the evaluation of trade receivables, please refer to Note 5; for the related disclosure of the loss allowance of trade receivables, please refer to Note 6(d).

Description of key audit matter:

The management of the Company has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The management of the Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Such estimation involves the subjective judgment of the management. Thus, the assessment of loss allowance of trade receivables is one of the most important evaluation in performing our audit procedures.

How the matter was addressed in our audit:

Our principal audit procedures included testing the accuracy and completeness of the aging schedule, which are the basis for the calculation of impairment losses, assessing the reasonableness of the policy for measuring impairment losses, confirming if the provision rate of impairment losses is consistent with the accounting policy, testing the recoverability of receivables by vouching collection record in subsequent period, and, for the overdue receivables yet not recovered, understanding and assessing the reasonableness of the impairment losses measured on the basis of the customer's historical receipt status, with collateral or not, and overall economic condition.

Other Matter

The financial statements of the Company for the year ended December 31, 2019, was audited by other auditors, who issued an unqualified audit report on March 18, 2020.

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 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 supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these 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 of the current period 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 Szu Chuan Chien and Jui Lan Lo.

KPMG

Taipei, Taiwan (Republic of China)

March 26, 2021

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(o) and 7)	\$ 926,183	100	712,538	100
5000 Operating costs (notes 6(f), 6(p) and 12)	779,374	84	562,723	79
5900 Gross profits	<u>146,809</u>	16	<u>149,815</u>	21
6000 Operating expenses (notes 6(d), 6(e), 6(k), 6(p), 7 and 12):				
6100 Selling expenses	32,937	4	37,176	5
6200 Administrative expenses	113,897	12	129,316	18
6300 Research and development expenses	3,467	-	6,407	1
6450 Expected credit impairment loss (gain)	(980)	-	412	-
	<u>149,321</u>	16	<u>173,311</u>	24
6900 Net operating income (loss)	<u>(2,512)</u>	-	<u>(23,496)</u>	(3)
7000 Non-operating income and expenses (notes 6(g), 6(q) and 7):				
7100 Interest income	12,115	1	17,404	2
7190 Other income	17,998	2	84,438	12
7020 Other gains and losses, net	(30,901)	(3)	202,068	28
7060 Share of gain of subsidiaries, associates and joint ventures accounted for using equity method	591,093	64	481,360	68
7050 Finance costs (note 7)	(23,402)	(3)	(22,162)	(3)
7900 Profit from continuing operations before tax	564,391	61	739,612	104
7950 Less: Income tax expenses (note 6(l))	1,832	-	215,890	31
	<u>562,559</u>	61	<u>523,722</u>	73
8160 Profit (loss) from continuing operations				
Profit attributable to former owner of business combination under common control	-	-	(193,361)	(27)
Total profit (loss) from discontinued operations	<u>-</u>	-	<u>(193,361)</u>	(27)
Profit	<u>562,559</u>	61	<u>330,361</u>	46
8300 Other comprehensive income (notes 6(g), 6(k) and 6(l)):				
8310 Items that may not be reclassified to profit or loss:				
8311 Gains (losses) on remeasurements of defined benefit plans	585	-	1,574	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	167,537	18	13,411	2
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that may not be reclassified to profit or loss	(2,123)	-	110	-
8349 Income tax related to items that may not be reclassified to profit or loss	117	-	315	-
	<u>165,882</u>	18	<u>14,780</u>	2
8360 Items that may be reclassified to profit or loss:				
8361 Exchange differences on translation of foreign financial statements	(139,112)	(15)	(161,521)	(23)
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	5,536	1	(56,877)	(8)
8399 Income tax related to items that may be reclassified to profit or loss	-	-	-	-
	<u>(133,576)</u>	(14)	<u>(218,398)</u>	(31)
8300 Other comprehensive income	<u>32,306</u>	4	<u>(203,618)</u>	(29)
8400 Comprehensive income attributable to former owner of business combination under common control	<u>-</u>	-	<u>(39,919)</u>	(6)
8500 Total comprehensive income	<u>\$ 594,865</u>	<u>65</u>	<u>166,662</u>	<u>23</u>
Earnings per share (note 6(n)):				
9750 Basic earnings per share	<u>\$ 3.42</u>		<u>2.83</u>	
9850 Diluted earnings per share	<u>\$ 3.42</u>		<u>2.82</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Exchange differences on translation of foreign financial statements	Other equities		Treasury shares	Equity attributable to former owner of business combination under common control	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Retained earnings		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equities			
Balance at January 1, 2019	\$ 915,183	245,053	98,782	56,010	2,337,355	2,492,147	(32,521)	(2,470)	(34,991)	-	3,832,820	7,450,212
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	174,912	-	(174,912)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(274,555)	(274,555)	-	-	-	-	-	(274,555)
Reversal of special reserve	-	-	-	(21,019)	21,019	-	-	-	-	-	-	-
Profit (loss) for the year ended December 31, 2019	-	-	-	-	330,361	330,361	-	-	-	-	193,361	523,722
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,369	1,369	(172,638)	7,570	(165,068)	-	(39,919)	(203,618)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	331,730	331,730	(172,638)	7,570	(165,068)	-	153,442	320,104
Other changes in capital surplus due to donated assets received	-	7	-	-	-	-	-	-	-	-	-	7
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,171	2,171	-	(2,171)	(2,171)	-	-	-
Shares issued for pursuant to acquisitions and changes in ownership interests in subsidiaries	1,025,448	3,502,070	-	-	(785,641)	(785,641)	-	-	-	(89,172)	(3,651,233)	1,472
Change in equity attributable to the former owner of business combination under common control	-	-	-	-	-	-	-	-	-	-	(335,029)	(335,029)
Balance at December 31, 2019	1,940,631	3,747,130	273,694	34,991	1,457,167	1,765,852	(205,159)	2,929	(202,230)	(89,172)	-	7,162,211
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	33,036	-	(33,036)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	167,239	(167,239)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(96,977)	(96,977)	-	-	-	-	-	(96,977)
Profit (loss) for the year ended December 31, 2020	-	-	-	-	562,559	562,559	-	-	-	-	-	562,559
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(1,655)	(1,655)	(133,576)	167,537	33,961	-	-	32,306
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	560,904	560,904	(133,576)	167,537	33,961	-	-	594,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	110	-	-	(3,709)	(3,709)	-	-	-	-	-	(3,599)
Changes in ownership interests in subsidiaries	-	336	-	-	-	-	-	-	-	-	-	336
Changes in equity of associates and joint ventures accounted for using equity method	-	459,384	-	-	-	-	-	-	-	-	-	459,384
Capital reduction	(582,189)	-	-	-	-	-	-	-	-	6,178	-	(576,011)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	974	-	-	-	-	-	-	-	-	-	974
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,074	2,074	-	(2,074)	(2,074)	-	-	-
Disorgement	-	10,261	-	-	-	-	-	-	-	-	-	10,261
Balance at December 31, 2020	\$ 1,358,442	4,218,195	306,730	202,230	1,719,184	2,228,144	(338,735)	168,392	(170,343)	(82,994)	-	7,551,444

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 564,391	739,612
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	12,741	13,478
Amortization expense	5,989	5,844
Gain (loss) on reversal of expected credit impairment loss	(980)	412
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	14,113	(114,273)
Interest expense	23,402	22,162
Interest income	(12,115)	(17,404)
Dividend income	(577)	(12,277)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(591,093)	(481,360)
Gain on disposal of property, plant and equipment	(350)	(6,746)
Gain on disposal of non-current assets classified as held for sale	-	(79,849)
Others	3,671	(3,835)
Total adjustments to reconcile profit (loss)	(545,199)	(673,848)
Changes in operating assets and liabilities:		
Decrease in notes receivable	4,134	1,387
(Increase) decrease in trade receivables	(121,104)	54,786
Decrease (increase) in other receivables	114,925	(53,243)
Decrease (increase) in inventories	3,366	(1,074)
Increase in other current assets	(662)	(619)
Increase (decrease) in contract liabilities	14,226	(11,610)
Decrease in trade payables	(11,375)	(152,654)
Increase (decrease) in other payables	142,452	(353,699)
Decrease in other current liabilities	(148)	(5,187)
Decrease in net defined benefit liability	(541)	(2,071)
Total changes in operating assets and liabilities	145,273	(523,984)
Cash inflow (outflow) generated from operations	164,465	(458,220)
Interest received	13,921	15,439
Dividends received	577	12,277
Interest paid	(22,897)	(22,041)
Income taxes paid	(169,123)	(25,260)
Net cash flows used in operating activities	(13,057)	(477,805)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(471,291)	(506,514)
Proceeds from disposal of financial assets at fair value through other comprehensive income	22,439	-
Acquisition of financial assets at amortized cost	(502,672)	(482,078)
Proceeds from disposal of financial assets at amortized cost	482,078	543,655
Acquisition of financial assets at fair value through profit or loss	(400,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	385,887	714,459
Proceeds from capital reduction of financial assets at fair value through profit or loss	-	9,708
Acquisition of investments accounted for using equity method	(6,053)	-
Proceeds from disposal of investments accounted for using equity method	-	3,737
Proceeds from capital reduction of investments accounted for using equity method	30,585	-
Proceeds from disposal of non-current assets classified as held for sale	-	398,216
Acquisition of property, plant and equipment	(1,055)	(253)
Proceeds from disposal of property, plant and equipment	599	8,843
Acquisition of intangible assets	(591)	(3,925)
Decrease in other non-current assets	(122)	(1,175)
Dividends received	279,921	483,042
Net cash flows (used in) from investing activities	(180,275)	1,167,715
Cash flows from (used in) financing activities:		
Increase (decrease) in short term borrowings	936,820	(144,000)
Decrease in guarantee deposits received	(59)	(10,998)
Increase in other payables to related parties	315,062	-
Payment of lease liabilities	(315)	(1,262)
Cash dividends paid	(96,977)	(274,555)
Capital reduction payments to shareholders	(581,859)	-
Dividends paid to equity attributable to former owner of business combination under common control	-	(335,029)
Net cash flows from (used in) financing activities	572,672	(765,844)
Effect of exchange rate changes on cash and cash equivalents	-	(28,119)
Net increase (decrease) in cash and cash equivalents	379,340	(104,053)
Cash and cash equivalents at beginning of period	172,828	276,881
Cash and cash equivalents at end of period	\$ 552,168	172,828

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.) was established on September 11, 1978, by the approval of Ministry of Economic Affairs under the Company Law, the main business line is manufacture and sale of capacitors. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on August 29, 1998.

Merging with G-Luxon Electronics Corp. on October 31, 2005 (the effective date of the merger), was approved by the resolution of the shareholders' meeting, and the Company was the surviving company. In 2019, the shareholders' meeting resolved to approve the Company merged with the former KAIMEI ELECTRONIC CORP. on September 30, 2019 (the effective date of the merger), and the Company was the surviving company. On October 28, 2019, the Company was renamed as KAIMEI ELECTRONIC CORP. subsequently, by the approval of Ministry of Economic Affairs.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issuance by the Board of Directors on March 12, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements****(4) Summary of significant accounting policies:**

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation**(i) Basis of measurement**

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis.

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’ s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies**(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income.

- 1) an investment in equity securities designated as at fair value through other comprehensive income;

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

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KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company' s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual

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Notes to the Financial Statements

period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and

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KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the net income, other comprehensive income and equity attributable to shareholders of the Company in the financial statement, are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | |
|--------------------------------|------------|
| 1) buildings and construction | 5~55 years |
| 2) Machinery and equipment | 2~10 years |
| 3) Office and other facilities | 1~9 years |

Buildings and construction constitute mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments; including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of photocopying equipment that have a lease term of 12 months or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|---------------------------------------|------------|
| 1) Computer software | 1~3 years |
| 2) Patent and other intangible assets | 3~10 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax asset) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

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KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(i) Sale of goods

The Company manufactures and sells capacitor, converter and computer accessories. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS 37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(q) Business combination

Except for business combinations under common control, the Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

The Company did not use the acquisition method to deal with the business combination under common control, but adopted the book value method and regarded it as the initial merger and restating the previous comparison information. And separated the non jointly controlled interests in the dissolved company before business combination under equity. The dissolved company's profit or loss belongs to the external third party is the deduction from the total profit or loss (i.e. the combined total profit or loss of the Company and the dissolved company being merged). And is listed in the income statement as profit (loss) attributable to former owner of business combination under common control.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements****(r) Earnings per share**

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose the operating segments information in the financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Judgment regarding significant influence of investees

The Company was the largest shareholder of some of the investee companies during the specific period of 2020. However, the Company did not have any directors of the investee companies and could not affect the activities of the investee companies. As a result, the Company has no control and significant influence on such investee companies.

(b) Judgment regarding significant influence of associates

The Company holds less than 20% of the voting rights of Tong Hsing Electronic Industries, Ltd., however, the Company has two seats of Tong Hsing Electronic Industries, Ltd.'s nine seats of directors, therefore, the Company has a significant influence, hence, using the equity method.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- (a) The loss allowance of trade receivable

The Company has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(d).

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 9,218	1,597
Check and demand deposits	329,350	46,214
Time deposits	213,600	125,017
	<u>\$ 552,168</u>	<u>172,828</u>

Please refer to note 6(r) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

- (b) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income		
Current		
Domestic listed common shares		
Taiwan Chinsan Electronic Industrial Co., Ltd.	\$ -	<u>114,865</u>
Non-current		
Domestic listed common shares		
Taiwan Chinsan Electronic Industrial Co., Ltd.	<u>\$ 731,254</u>	<u>-</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- (i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long term strategic purposes. Since June 2020, the Company has reclassified these equity instruments from current to non-current for its management purpose.
- (ii) As of December 31, 2020, the financial assets at fair value through other comprehensive income of the Company had been pledged as collateral for its long-term borrowings. Please refer to note 8.

- (c) Financial assets measured at amortized cost

	December 31, 2020	December 31, 2019
Current		
Restricted time deposits	\$ 459,952	157,395
Time deposits with original maturity of more than three months	42,720	324,683
Total	<u>\$ 502,672</u>	<u>482,078</u>

- (i) The Company held time deposits with original maturity of more than three months with the weighted average interest rates of 0.65% and 2.44%~2.85% during the years ended December 31, 2020 and 2019, respectively.

- (ii) As of December 31, 2020 and 2019, the financial assets measured at amortized costs of the Company had been pledged as collateral for its long-term borrowings. Please refer to note 8.

- (d) Notes and trade receivables (including related parties)

	December 31, 2020	December 31, 2019
Notes receivable from operating activities	\$ 2,654	6,788
Trade receivables—measured as amortized cost	260,363	139,259
	263,017	146,047
Less: loss allowance	(199)	(1,179)
	<u>\$ 262,818</u>	<u>144,868</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- (i) The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	December 31, 2020		
	Gross carrying amount (including related parties)	Weighted average loss rate	Loss allowance provision
Current	\$ 261,867	0.01%	27
1~30 days past due	575	0.00%	-
31~180 days past due	575	29.91%	172
	\$ 263,017		199

	December 31, 2019		
	Gross carrying amount (including related parties)	Weighted average loss rate	Loss allowance provision
Current	\$ 139,367	0.05%	70
1~30 days past due	2,983	0.00%	-
31~180 days past due	3,697	30.00%	1,109
	\$ 146,047		1,179

- (ii) The movement in the allowance for notes and trade receivables were as follows:

	2020	2019
Balance at January 1	\$ 1,179	765
Impairment losses (reversal) recognized	(980)	414
Balance at December 31	\$ 199	1,179

- (iii) As of December 31, 2020 and 2019, the notes and trade receivables of the Company were not pledged as collateral.

- (e) Other receivables

	December 31, 2020	December 31, 2019
Other receivables	\$ 77,183	124,623
Less: Loss allowance	-	-
	\$ 77,183	124,623

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

The movement in the allowance for other receivables were as follows:

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ -	2
Impairment loss reversal	-	(2)
Balance at December 31	<u>\$ -</u>	<u>-</u>

(f) Inventories

(i) The details of inventories were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ -	144
Finished goods and merchandise	3,562	7,251
Goods in transit	2,164	1,697
	<u>\$ 5,726</u>	<u>9,092</u>

(ii) For the years ended December 31, 2020 and 2019, the cost of goods sold amounted to \$779,374 and \$562,723, respectively.

(iii) The factor leading to the net realizable value of inventories is lower than the cost was vanished, due to the sale or scrap of obsolete inventories for the years ended December 31, 2020 and 2019, therefore, the decrease in recognized operating costs due to reversal of write downs amounted to \$421 and \$98, respectively.

(iv) As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loans.

(g) Investments accounted for using equity method

A summary of the Company' s financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 8,362,834	8,173,735
Associates	1,651,747	1,293,391
	<u>\$ 10,014,581</u>	<u>9,467,126</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(i) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2020.

Due to the Company' s management continues to focus on core technology to enhance competitiveness, the subsidiary, BOTHHAND ENTERPRISE INC., and its subsidiaries ("BOTHHAND group") sold the substantial related party, CHILISIN ELECTRONICS CORP. on January 25, 2021. This transaction is an organizational reorganization under common control. Please refer to note 11.

(ii) Associates

Associates which are material to the Company consisted of the followings:

Name of Associates	Nature of Relationship with the Company	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2020	December 31, 2019
Tong Hsing Electronic Industries, Ltd.	The major business is manufacture and sale of electronic products	Taiwan	5.28%	7.53%

The fair value of associates listed on the Stock Exchange (over the counter) which are material to the Company are as follows:

	December 31, 2020	December 31, 2019
Tong Hsing Electronic Industries, Ltd.	\$ 1,672,900	1,295,852

The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates:

<u>Tong Hsing Electronic Industries, Ltd.</u>	December 31, 2020	December 31, 2019
Current assets	\$ 7,962,533	6,455,597
Non-current assets	17,474,640	5,967,194
Current liabilities	(3,801,650)	(1,762,168)
Non-current liabilities	(425,990)	(483,897)
Net assets	\$ 21,209,533	10,176,726

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$ 10,178,002</u>	<u>7,430,654</u>
Profit from continuing operations	1,450,675	741,956
Other comprehensive income	<u>(72,410)</u>	<u>(21,770)</u>
Total comprehensive income	<u>\$ 1,378,265</u>	<u>720,186</u>
	<u>2020</u>	<u>2019</u>
Share of net assets of associates as of January 1	\$ 766,307	-
Transfer into	-	810,741
Purchase	4,110	-
Comprehensive income attributable to the Company	84,653	30,236
Dividends paid to the Company	(30,585)	(74,670)
Proceeds from capital reduction of investments to the Company	(30,585)	-
Changes in equity of associates and joint ventures accounted for using equity method	<u>328,820</u>	<u>-</u>
Share of net assets of associates as of December 31	1,122,720	766,307
Add: goodwill	<u>529,027</u>	<u>527,084</u>
Carrying amounts of associates as of December 31	<u>\$ 1,651,747</u>	<u>1,293,391</u>

- (iii) In the second quarter of 2019, the Company started to have significant influence on Tong Hsing Electronic Industries, Ltd., therefore, the balance of financial assets measured at fair value through other comprehensive income is evaluated using the equity method. The accumulated profit and loss on disposal of equity instruments amounted to \$4,435. Gain on disposal recognized by the Company amounted to \$1,915 was adjusted to undistributed earnings.
- (iv) Changes in equity of associates and joint ventures accounted for using equity method were adjusted for the year ended December 31, 2020, increasing capital surplus by \$328,820.
- (v) As of December 31, 2020 and 2019, the Company's investments under equity method has not been pledged as collaterals.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Land	Buildings and construction	Machinery and equipment	Transportation equipment	Other facilities	Total
Cost:						
Balance on January 1, 2020	\$ 103,824	128,302	3,130	9,596	59,010	303,862
Additions	-	-	-	-	1,055	1,055
Disposal	-	-	(517)	-	(34,653)	(35,170)
Transferred into (out)	-	-	-	-	1,787	1,787
Balance on December 31, 2020	\$ 103,824	128,302	2,613	9,596	27,199	271,534
Balance on January 1, 2019	\$ 337,108	153,247	3,130	9,596	58,757	561,838
Additions	-	-	-	-	253	253
Disposal	-	(3,884)	-	-	-	(3,884)
Transferred into (out)	(233,284)	(21,095)	-	-	-	(254,379)
Effect of movements in exchange rates	-	34	-	-	-	34
Balance on December 31, 2019	\$ 103,824	128,302	3,130	9,596	59,010	303,862
Depreciation:						
Balance on January 1, 2020	\$ -	48,607	2,899	4,808	50,565	106,879
Depreciation	-	3,194	23	1,752	7,456	12,425
Disposal	-	-	(309)	-	(34,612)	(34,921)
Balance on December 31, 2020	\$ -	51,801	2,613	6,560	23,409	84,383
Balance on January 1, 2019	\$ -	48,896	2,843	3,056	43,606	98,401
Depreciation	-	3,439	56	1,752	6,959	12,206
Disposal	-	(1,787)	-	-	-	(1,787)
Transferred into (out)	-	(1,957)	-	-	-	(1,957)
Effect of movements in exchange rates	-	16	-	-	-	16
Balance on December 31, 2019	\$ -	48,607	2,899	4,808	50,565	106,879
Carrying amount:						
Balance on December 31, 2020	\$ 103,824	76,501	-	3,036	3,790	187,151
Balance on January 1, 2019	\$ 337,108	104,351	287	6,540	15,151	463,437
Balance on December 31, 2019	\$ 103,824	79,695	231	4,788	8,445	196,983

As of December 31, 2020 and 2019, the aforesaid property, plant and equipment were not pledged as collateral.

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KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(i) Short term borrowings

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Unsecured bank loans	\$ 1,150,000	500,000
Secured bank loans	2,267,820	1,981,000
Total	<u>\$ 3,417,820</u>	<u>2,481,000</u>
Unused short-term credit lines	<u>\$ 5,682,180</u>	<u>6,669,000</u>
Range of interest rates	<u>0.73%~0.79%</u>	<u>0.88%~0.90%</u>

(j) Other payables

The details of other payables were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Payables for remuneration due to employee, directors and supervisors	\$ 46,246	16,850
Payables for wages and bonus	33,574	59,584
Other payables to related parties	497,512	43,049
Others	19,621	19,451
	<u>\$ 596,953</u>	<u>138,934</u>

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Present value of the defined benefit obligations	\$ 13,121	16,888
Fair value of plan assets	(10,952)	(13,593)
Net defined benefit liabilities	<u>\$ 2,169</u>	<u>3,295</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$10,952 as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligation

The movement in present value of the defined benefit obligations for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligations at January 1	\$ 16,888	27,851
Current service costs and interest cost	118	312
Remeasurement (gain) loss	142	(447)
Benefits paid	(4,027)	(10,828)
Defined benefit obligation at December 31	<u>\$ 13,121</u>	<u>16,888</u>

3) Movements of defined benefit plan assets

The movement in fair value of defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligations at January 1	\$ (13,593)	(20,596)
Expected return on plan assets	(95)	(218)
Remeasurements gain	(727)	(1,127)
Contribution paid by the employer	(564)	(2,480)
Benefits paid	4,027	10,828
Fair value of plan assets at December 31	<u>\$ (10,952)</u>	<u>(13,593)</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ -	23
Net interest of net liabilities for defined benefit obligations	<u>23</u>	<u>71</u>
	<u>\$ 23</u>	<u>94</u>
Operating cost	\$ -	-
Operating expenses	<u>23</u>	<u>94</u>
	<u>\$ 23</u>	<u>94</u>

5) Remeasurement values of net defined benefit liabilities recognized in other comprehensive income

The remeasurements in net defined benefit liabilities recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Cumulative amount at January 1	\$ (2,292)	(718)
Recognized in current period	<u>(585)</u>	<u>(1,574)</u>
Cumulative amount at December 31	<u>\$ (2,877)</u>	<u>(2,292)</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.30%	0.70%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$449.

The weighted average lifetime of the defined benefits plans is 10 years.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate	(322)	335
Future salary increase rate	296	(286)
December 31, 2019		
Discount rate	(399)	414
Future salary increase rate	365	(354)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$2,045 and \$2,350 for the years ended December 31, 2020 and 2019, respectively.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(l) Income taxes

(i) The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ -	719
Additional tax on undistributed earnings	1,832	168,090
Land value increment tax	-	30,062
Adjustment for prior periods	-	68
	<u>1,832</u>	<u>198,939</u>
Deferred tax expense		
Origination and reversal of temporary differences	-	16,951
Income tax expenses	<u>\$ 1,832</u>	<u>215,890</u>

(ii) The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ 117</u>	<u>315</u>

(iii) Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 564,391	739,612
Income tax using the Company's tax rate	112,878	147,922
Non-deductible expenses	50	256,110
Tax exempt income	(59,421)	(155,238)
Change in unrecognized temporary differences	(49,359)	(268)
Current year losses for which no deferred tax asset was recognized	(4,148)	(230,856)
Additional tax on undistributed earnings	1,832	168,090
Land value increment tax	-	30,062
Adjustment for prior periods	-	68
	<u>\$ 1,832</u>	<u>215,890</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2020 and 2019. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 470,475</u>	<u>280,076</u>
Unrecognized deferred tax liabilities	<u>\$ 94,095</u>	<u>56,015</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Tax effect of deductible temporary differences	<u>\$ 54,451</u>	<u>61,169</u>
The carryforward of unused tax losses	<u>\$ 55,084</u>	<u>62,873</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2020, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2013 (amount assessed)	\$ 178,311	2023
2015 (amount assessed)	32,860	2025
2017 (amount assessed)	9,467	2027
2018 (amount assessed)	34,041	2028
2020 (amount estimated)	20,742	2030
	<u>\$ 275,421</u>	

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

Pursuant to article 43 of the Business Mergers and Acquisitions Act amended on July 8, 2015, the loss for each of the ten years preceding the merger of the Company and former KAIMEI ELECTRONIC CORP. (dissolved company being merged) is calculated on the basis of the proportion that the shareholders of the Company holding the interests in the surviving company. The net profit for the year is deducted within 10 years from the year in which the loss occurred, the final deduction is due in 2028.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Defined benefit plan	Unrealized exchange losses	The carryforward of unused tax losses	Others	Total
Deferred tax assets:					
Balance at January 1, 2020	\$ 8,804	3,048	44,346	770	56,968
Recognized in profit or loss	(108)	(1,672)	12,178	(143)	10,255
Recognized in other comprehensive income	-	-	-	-	-
Balance at December 31, 2020	\$ 8,696	1,376	56,524	627	67,223
Balance at January 1, 2019	\$ 12,492	3,371	13,733	979	30,575
Recognized in profit or loss	(3,507)	(323)	30,613	(209)	26,574
Recognized in other comprehensive income	(181)	-	-	-	(181)
Balance at December 31, 2019	\$ 8,804	3,048	44,346	770	56,968
	Defined benefit plan	Foreign investment benefits	Others	Total	
Deferred tax liabilities:					
Balance at January 1, 2020	\$ 134	184,575	1,848	186,557	
Recognized in profit or loss	-	12,103	(1,848)	10,255	
Recognized in other comprehensive income	117	-	-	117	
Balance at December 31, 2020	\$ 251	196,678	-	196,929	
Balance at January 1, 2019	\$ -	140,426	2,472	142,898	
Recognized in profit or loss	-	44,149	(624)	43,525	
Recognized in other comprehensive income	134	-	-	134	
Balance at December 31, 2019	\$ 134	184,575	1,848	186,557	

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- (v) The income tax returns of the Company for the years through 2018 were assessed by the tax authorities.
- (m) Capital and other equity
- (i) Ordinary shares

As of December 31, 2020 and 2019, the Company's authorized share capital amounted to \$5,700,000; divided into 570,000 thousand shares with par value of \$10 per share. As of December 31, 2020 and 2019, the Company has issued 135,844 thousand shares and 194,063 thousand shares, respectively, all issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

(in thousands of shares)	Ordinary shares	
	2020	2019
Balance on January 1	194,063	91,518
Issued in business combination	-	102,545
Capital reduction	(58,219)	-
Balance on December 31	135,844	194,063

On March 13, 2019, the Company's Board of Directors made a resolution, in order to integrate the Company's resources, extend the scope of business, and improve operational performance and competitiveness. The Company merged with former KAIMEI ELECTRONIC CORP. in accordance with the Business Mergers and Acquisitions Act and other relevant laws (hereinafter referred to as "the merger"). After the merger, the Company was the surviving company, and former KAIMEI ELECTRONIC CORP. was the dissolved company. After the merger took effect, the name of the Company was changed to "KAIMEI ELECTRONIC CORP.".

Both parties of the merger agreed that the Company's 1.1541 ordinary shares were exchanged for 1 ordinary share of former KAIMEI ELECTRONIC CORP. The number of ordinary shares issued by the Company in connection with merger was 102,545 thousand shares, and the fair value of the Company's ordinary shares was calculated at the closing price of \$43.3 on September 27, 2019. The merger resulted in an increase (decrease) of capital common stock, capital surplus additional paid in capital arising from ordinary share, undistributed earnings and treasury stock by \$1,025,448, \$3,414,743, \$(780,357) and \$4,763, respectively. The conversion rate is determined by reference to each company's price per share, the net value of shares, operational performance, business development, other operations and related factors that may affect shareholders' interests. The merger was reviewed by the Special Committee on Mergers and Acquisitions, and was evaluated by the independent experts, then was reported to the Board of Directors for resolution. The merger was discussed and adopted at a shareholders' general meeting held on June 5, 2019, and was approved by the competent authorities on July 22, 2019, the effective date of the merger was September 30, 2019.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

In accordance with relevant laws and regulations, the Company has applied to the Taipei Exchange for the termination of OTC trading, and the Financial Supervisory Commission has approved the cancellation of public offering. Furthermore, the merger former KAIMEI ELECTRONIC CORP. dissolution registration was approved by the Ministry of Economic Affairs on October 28, 2019.

In order to enhance shareholders' equity and profitability per share, on June 5, 2020, the shareholders' meeting resolved a cash capital reduction, which refunded the share capital of \$582,189, and canceled 58,219 thousand shares. This resolution was approved by the competent authorities on July 9, 2020, the effective date of the cash capital reduction was July 10, 2020, and the registration of alteration was completed on July 17, 2020.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Additional paid-in capital	\$ 3,457,607	3,457,607
Donation from shareholders	423	423
Changes in equity of associates and joint ventures		
accounted for using equity method	459,384	-
Changes in ownership interests in subsidiaries	289,824	288,404
Employee share options	696	696
Others	10,261	-
	<u>\$ 4,218,195</u>	<u>3,747,130</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

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 a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from special reserve by the Company. As of December 31, 2020 and 2019, the amounts of special reserve were \$202,230 and 34,991, respectively.

3) Earnings distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 5, 2020 and June 5, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.5	<u>96,977</u>	3.0	<u>274,555</u>

On March 12, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. These earnings were appropriated as follows:

	<u>2020</u>	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ 2.0	<u>271,534</u>

The distribution of earnings in the year 2020 is pending a resolution of the shareholders' meeting.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(iv) Treasury shares

(in thousands of shares)

Item	Business combinations	Acquisition of Company's share by subsidiaries	Total
January 1, 2020	110	1,949	2,059
Decrease	33	584	617
December 31, 2020	77	1,365	1,442
January 1, 2019	-	-	-
Increase	110	1,949	2,059
December 31, 2019	110	1,949	2,059

The Company's merger with former KAIMEI ELECTRONIC CORP. on September 30, 2019 (the effective date of the merger) in accordance with the Business Mergers and Acquisitions Act and other relevant laws, was to acquire the dissenting shareholders' shares held by former KAIMEI ELECTRONIC CORP. under the Business Mergers and Acquisitions Act. The Company's subsidiary, BOTHHAND ENTERPRISE INC., holds the shares of former KAIMEI ELECTRONIC CORP. for investment, therefore, those shares are recognized as the Company's treasury shares.

On the effective date of the cash capital reduction of July 10, 2020, the cash capital reduction canceled 58,219 thousand shares, and the treasury shares also decreased by 617 thousand shares.

As of December 31, 2020 and 2019, BOTHHAND ENTERPRISE INC., subsidiaries of the Company, held 1,365 and 1,949 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of NT\$57.57 and NT\$43.31 per share, and total amounted to \$78,561 and \$84,409, respectively. The share price as of December 31, 2020 and 2019 were NT\$91.6 and NT\$45.20, respectively.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(n) Earnings per share

The details on the calculation of basic earnings per share and diluted earnings per share were as follows:

	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 562,559</u>	<u>330,361</u>
Weighted average number of ordinary shares at 31 December (in thousands of shares)	<u>164,387</u>	<u>116,846</u>
	<u>\$ 3.42</u>	<u>2.83</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (diluted is the same as basic)	<u>\$ 562,559</u>	<u>330,361</u>
Weighted average number of ordinary shares at 31 December (in thousands of shares)	164,387	116,846
Effect of dilutive potential ordinary shares		
Effect of employee remuneration	<u>200</u>	<u>186</u>
Weighted average number of ordinary shares (diluted) at December 31 (in thousands of shares)	<u>164,587</u>	<u>117,032</u>
	<u>\$ 3.42</u>	<u>2.82</u>

(o) Revenue from contracts with customers

(i) Details of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Hong Kong and China	\$ 365,942	158,176
Taiwan and other Asia Pacific regions	245,243	240,979
Europe	251,186	230,828
Americas	53,215	58,996
Others	<u>10,597</u>	<u>23,559</u>
	<u>\$ 926,183</u>	<u>712,538</u>
Major products:		
Capacitor	\$ 674,595	528,172
Fan	248,522	182,503
Others	<u>3,066</u>	<u>1,863</u>
	<u>\$ 926,183</u>	<u>712,538</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and trade receivables	\$ 263,017	146,047	202,220
Less: loss allowance	(199)	(1,179)	(765)
	<u>\$ 262,818</u>	<u>144,868</u>	<u>201,455</u>
Contract liabilities	<u>\$ 15,154</u>	<u>928</u>	<u>12,538</u>

For details on trade receivables and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$928 and \$12,538, respectively.

(p) Employee, directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 0.2% of the profit as employee remuneration and less than 4% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions. The board of directors will determine the method of remuneration and remuneration of the employees.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$13,296 and \$7,405, and directors' and supervisors' remuneration amounting to \$24,070 and \$16,850, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as the percentage decided by the management of the Company. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

(q) Non-operating income and expenses

(i) Other income

	2020	2019
Dividend income	\$ 577	12,277
Directors' remuneration	9,202	62,859
Others	8,219	9,302
	<u>\$ 17,998</u>	<u>84,438</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(ii) Other gains and losses

	<u>2020</u>	<u>2019</u>
Gain on disposal of non-current asset classified as held for sale	\$ -	79,849
Gains on financial assets at fair value through profit or loss	(14,113)	114,273
Foreign exchange (loss) gains	(21,173)	(2,221)
Gains on disposals of property, plant and equipment	350	6,746
Gain on disposal of investments accounted for using equity method	-	3,737
Others	4,035	(316)
	<u>\$ (30,901)</u>	<u>202,068</u>

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

A credit risk is the risk of having financial losses arising from counterparties failing to meet their required contract obligation. As at reporting date, the Company' s exposure to credit risk and the maximum exposure were mainly from:

- a) The carrying amount of financial assets and contract assets recognized in the consolidated balance sheet; and
- b) The amount of liabilities as a result from the Company providing financial guarantees to its customers.

2) Concentration of credit risk

As sales are made to customers worldwide, the Company' s exposure to credit risk concentration is expected to be low. The Company continuously assesses the financial condition of its customers. If it is necessary, the Company will ask for guarantees or warranties. The Company still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for bad debts, based on the result of management' s evaluation of the overall amounts of bad debts.

3) Credit risk exposure of notes and trade receivables

For credit risk exposure of notes and trade receivables, please refer to note 6(d); for credit risk exposure of other receivables, please refer to note 6(e).

Other financial assets at amortized cost include other receivables and time deposits.

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to Note 4(f) for the Company determines whether credit risk is to be low risk).

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Carrying amount	Contractua l cash flows	1 year	1-2 years	Over 2 years
December 31, 2020					
Non derivative financial liabilities					
Interest free liabilities	\$ 1,053,071	(1,053,071)	(1,053,070)	(1)	-
Lease liabilities	593	(598)	(321)	(205)	(72)
Fixed rate instruments	3,417,820	(3,417,820)	(3,417,820)	-	-
	\$ 4,471,484	(4,471,489)	(4,471,211)	(206)	(72)
December 31, 2019					
Non derivative financial liabilities					
Interest free liabilities	\$ 606,426	(606,426)	(606,426)	-	-
Lease liabilities	543	(546)	(267)	(279)	-
Fixed rate instruments	2,481,000	(2,481,000)	(2,481,000)	-	-
	\$ 3,087,969	(3,087,972)	(3,087,693)	(279)	-

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company' s significant exposure to foreign currency risk were as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items						
USD	\$ 43,821	USD/NTD=28. 480	1,248,022	25,011	USD/NTD =29.980	749,830
<u>Financial liabilities</u>						
Monetary items						
USD	31,571	USD/NTD=28. 480	899,142	15,850	USD/NTD =29.980	475,183

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and trade receivables(including related parties), other receivables, notes and trade payables, other payables and borrowings that are denominated in foreign currency.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

A strengthening (weakening) of 5% of the USD against the NTD as of December 31, 2020 and 2019 would have increased (decreased) the net profit before tax as follows. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
USD(against to NTD)		
Strengthening 5%	\$ 17,444	13,732
Weakening 5%	(17,444)	(13,732)
3) Foreign exchange gain and loss on monetary items		

Since the Company has many kinds of foreign currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2020 and 2019, foreign exchange loss (including realized and unrealized portions) amounted to \$21,173 and \$2,221, respectively.

(iv) Interest rate analysis

The Company's exposure to interest rate risk arising from financial assets and liabilities was as follows:

	<u>Book value</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Variable rate instruments:		
Financial assets	\$ 329,350	46,214
Financial liabilities	-	-
	<u>\$ 329,350</u>	<u>46,214</u>

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.25%, the Company's net income before tax would have increased / decreased by \$823 and \$116 for 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing and demand deposits at variable rates.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
(v) Other market price risk					
For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:					
	2020		2019		
	Other comprehensive income before tax	Profit or loss before tax	Other comprehensive income before tax	Profit or loss before tax	
5% increase	\$ 36,563	-	5,743	-	
5% decrease	\$ (36,563)	-	(5,743)	-	

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks in listed companies	\$ 731,254	731,254	-	-	731,254
Financial assets measured at amortized cost					
Cash and cash equivalents	552,168	-	-	-	-
Notes and trade receivables	262,818	-	-	-	-
Restricted time deposits	459,952	-	-	-	-
Time deposits with original maturity of more than three months	42,720	-	-	-	-
Other receivables	77,183	-	-	-	-

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

	December 31, 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at					
amortized cost					
Short-term borrowings	\$ 2,481,000	-	-	-	
Trade payables	467,492	-	-	-	
Other payables	138,934	-	-	-	
Lease liabilities	543	-	-	-	
Guarantee deposits					
received	<u>60</u>	-	-	-	
	<u>\$ 3,088,029</u>				

2) Valuation techniques for financial instruments not measured at fair value

The Company' s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

The Company's management considered that the disclosed carrying amounts of financial assets and liabilities measured at amortized cost approximated their fair values.

3) Valuation techniques for financial instruments measured at fair value

- a) Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies and corporate bonds: the fair value is based on the market quoted price.
- b) When a stock is not listed and there is no open offer in the active market, the fair value is estimated using the net worth per share method, the P/E method and the stock price ratio method.
- c) The fair value of derivative instruments is based on quoted prices. When a public offer is not available, an evaluation approach is used to estimate that the estimates and assumptions used are based on the quoted information of financial institutions or on a binomial tree pricing model that is widely accepted by market users.
- d) The fair value of other financial assets and financial liabilities other than the above is determined in accordance with the generally accepted pricing model based on discounted cash flows analysis.

4) There was no transfer between the different levels of fair value hierarchy for the years ended December 31, 2020 and 2019.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(s) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Company' s financial risk management policies are established to identify and analyze the financial risks faced by the Company, to assess the impact of financial risk and implement policies related to mitigating financial risk. Financial risk management policies are reviewed regularly to reflect changes in market conditions and the Company' s operations. The Company, through internal controls such as training, management standards, and operational procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation. Internal auditors assist in the role of supervisory. Internal auditor undertakes both regular and ad hoc reviews of financial risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company' s receivables from customers and investments in debt securities.

1) Trade and other receivables

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2020, no other guarantees were outstanding, please refer to note 13(a)(ii).

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2020 and 2019, the Company's unused credit line please refer to note 6(i).

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currencies of the Company, primarily the USD.

2) Interest rate risk

The Company borrows funds on fixed and variable interest rates, which has a risk exposure to cash flow.

3) Other market price risk

The Company resulted in an exposure to equity prices due to open funds and stock investments of listed companies whose fair value is measured through open quotations.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(t) Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures and research and development expenses, to repay debts and to distribute dividends in accordance to its plan. The management uses the appropriate total liability/equity ratio to determine the optimal capital for the merger. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Company aims to enhance the returns of its shareholders through achieving an optimized debt to equity ratio from time to time. The Company's liability to equity ratio at the end of each reporting period was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 4,856,721	3,620,961
Total equity	7,551,444	7,162,211
Debt-to-equity ratio at 31 December	64%	51%

The increase in the debt-to-equity ratio as of December 31, 2020 was mainly due to the increase in short term borrowings, trade payables and other payable. To maintain the capital structure, the Company may adjust the investment level, issue new shares or sell assets to settle its liabilities.

(u) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were acquisition of right-of-use assets by leasing. Reconciliation of liabilities arising from financing activities were as follows:

	<u>2020.1.1</u>	<u>Cash flow</u>	<u>Non-cash changes Increase</u>	<u>December 31, 2020</u>
Short-term borrowings	\$ 2,481,000	936,820	-	3,417,820
Lease liabilities	543	(315)	365	593
Guarantee deposits received	60	(59)	-	1
Total liabilities from financing activities	<u>\$ 2,481,603</u>	<u>936,446</u>	<u>365</u>	<u>3,418,414</u>

	<u>2019.1.1</u>	<u>Cash flow</u>	<u>Non-cash changes Increase</u>	<u>December 31, 2019</u>
Short-term borrowings	\$ 2,625,000	(144,000)	-	2,481,000
Lease liabilities	1,221	(1,262)	584	543
Guarantee deposits received	11,058	(10,998)	-	60
Total liabilities from financing activities	<u>\$ 2,637,279</u>	<u>(156,260)</u>	<u>584</u>	<u>2,481,603</u>

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements****(7) Related-party transactions:**

(a) Names and relationship with related parties

The followings are related parties that had transactions with the Company during the periods covered in the financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
YAGEO CORPORATION	The entity with significant influence over the Company
Teapo Electronic (HK) Ltd.	Subsidiaries
Teapo Electronics (DongGuan) CO., LTD.	"
Dongguan Teapo Trading CO., Ltd.	"
SUZHOU KAIMEI ELECTRONIC CO., LTD.	"
DONGGUAN JAMICON ELECTRONIC CO., LTD.	"
MYW Investment Limited	"
KAIMEI ELECTRONIC (HK) LTD.	"
JAMICON INTERNATIONAL LIMITED	"
FORMOSA PROSONIC ELECTRONICS SDN.BHD (FORMOSA)	"
BOTHHAND ENTERPRISE INC.	"
Hsin Bung International Co., Ltd.	Other related parties
Yageo Professional Competition Development Association	"
Tong Hsing Electronic Industries, Ltd.	An associate

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Company to related parties were as follows:

	<u>2020</u>	<u>2019</u>
The entity with significant influence over the Company	\$ 13,437	23,225
Other related parties	6,011	5,732
	<u>\$ 19,448</u>	<u>28,957</u>

The price of the Company sold to the related parties was determined by negotiation between both parties and the terms of the receipt were processed on a monthly basis, without any significant difference from the third-party customers.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade receivables	The entity with significant influence over the Company	\$ 5,157	9,935
"	Subsidiaries	208	-
"	Other related parties	1,255	972
Other receivables	Subsidiary - Teapo Electronic (HK) Ltd.	\$ 6,174	72,959
"	Subsidiary - KAIMEI ELECTRONIC (HK) LTD.	-	35,976
"	Subsidiary - MYW Investment Limited	59,034	-
"	Other subsidiaries	1,419	8,116
		<u>\$ 73,247</u>	<u>127,958</u>

Amounts receivable from related parties were uncollateralized; other receivable from related parties including advances received by the Company from related parties, dividends receivables and capital reduction receivables.

(iii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	<u>2020</u>	<u>2019</u>
Subsidiary - JAMICON INTERNATIONAL LIMITED	\$ 777,915	118,191
Subsidiary - Teapo Electronics (DongGuan) CO., LTD.	-	180,720
Other subsidiaries	86	10,457
	<u>\$ 778,001</u>	<u>309,368</u>

The Company purchase from the related parties, if necessary, for its business operation, and there are no other transactions with non-related parties to compare. The payment term given to related parties is 90 days, and adjustments depend on demand for funds when necessary.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(iv) Payment to related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade payables	Subsidiary - JAMICON INTERNATIONAL LIMITED	\$ 439,226	153,229
"	Subsidiary - Teapo Electronics (DongGuan) CO., LTD.	-	313,258
"	Other subsidiaries	16,286	-
Other payables	Subsidiary - Teapo Electronic (HK) Ltd.	143,007	-
"	Other subsidiaries	6,443	7,049
"	Other related parties	-	3,000
		<u>\$ 604,962</u>	<u>476,536</u>

The other payable represents payment collection and freight payable of related parties.

(v) Borrowing from related parties

The Company's borrowing from related parties and interest payables were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
KAIMEI ELECTRONIC (HK) LTD.	\$ 291,920	-
MYW Investment Limited	56,142	33,000
	<u>\$ 348,062</u>	<u>33,000</u>

The Company borrowed from certain related parties with annual interest rates of 0.73%. The loans were borrowed without collateral. Interest expenses were \$314 and \$0 for the years ended December 31, 2020 and 2019, respectively.

(vi) Leases

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease liabilities (including current and non-current)	The entity with significant influence over the Company	<u>\$ 194</u>	<u>472</u>
	<u>Relationship</u>	<u>2020</u>	<u>2019</u>
	<u>Interest expenses</u>		
	The entity with significant influence over the Company	<u>\$ 3</u>	<u>3</u>

For the lease agreement between the Company and the related parties, the negotiation process of the rent and the methods of payment are the same as those for the third parties.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

(vii) Other current liabilities

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Subsidiary - FORMOSA PROSONIC ELECTRONICS SDN.BHD (FORMOSA)	<u>\$ 119,805</u>	<u>119,805</u>

The other current liabilities represent the advance receipts of shares capital remitted from the related party.

(viii) Operating expenses

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 1,000</u>	<u>3,000</u>

(ix) Other income

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 5,901	7
An associate	3,660	63
Other related parties	8	-
	<u>\$ 9,569</u>	<u>70</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 44,168	33,506
Post-employment benefits	348	196
	<u>\$ 44,516</u>	<u>33,702</u>

Remuneration of Directors and other major management is determined by the Remuneration Committee in accordance with individual performance and market trends.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Account</u>	<u>Pledged to secure</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Restricted time deposits (classified under current financial assets at amortized cost)	Bank loan	\$ 459,952	157,395
Guarantee deposits (classified under other non-current assets)	Encumberment deposits	4	4
Financial assets at fair value through other comprehensive income	Bank loan	445,437	-
		<u>\$ 905,393</u>	<u>157,399</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

- (a) The Company sold 100% equity interests in BOTHHAND ENTERPRISE INC.

In order to continue to focus on core technology to enhance the competitiveness of the Company, the Board of Directors decided on December 23, 2020, to sell 62,334 thousand ordinary shares of BOTHHAND ENTERPRISE INC. (hereinafter referred to as "BOTHHAND") (100% of the issued shares of BOTHHAND) at the price of NT\$44.92 per share, total of \$2,800,000, to the other related party, CHILISIN ELECTRONICS CORP. (hereinafter "CHILISIN"), the transaction price is based on the latest audited financial statements and unaudited financial statements prepared by management, taking into account their net worth per share, profitability and future development potential, which have been submitted by the independent expert on price reasonableness. The transaction was settled on January 25, 2021, and as of March 12, 2021, the price had been received in full. This transaction is reorganization under common control.

- (b) The Company acquired 100% equity interests in RALEC ELECTRONIC CORPORATION

In order to continue to focus on core technology to enhance the competitiveness of the Company, the Board of Directors decided on December 23, 2020, to acquire 82,667 thousand ordinary shares of RALEC ELECTRONIC CORPORATION (hereinafter referred to as "RALEC") (100% of the issued shares of RALEC) at the price of NT\$60.48 per share, total of \$5,000,000, from the other related party, CHILISIN, the transaction price is based on the latest audited financial statements and unaudited financial statements prepared by management, taking into account their net worth per share, profitability and future development potential, which have been submitted by the independent expert on price reasonableness. The transaction was settled on January 28, 2021, and as of March 12, 2021, the price had been paid in full. This transaction is reorganization under common control.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- (c) Kunshan Taijun Electronics Co., Ltd., a subsidiary of investments accounted for using equity method, was registered as canceled on January 14, 2021. All share capital was fully remitted back to Round Constant Limited, its parent company, on February 5, 2021.

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the years ended December 31					
		2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary	-	65,522	65,522	-	83,373	83,373	
Labor and health insurance	-	4,228	4,228	-	4,999	4,999	
Pension	-	2,068	2,068	-	2,444	2,444	
Remuneration of directors	-	14,442	14,442	-	10,860	10,860	
Others	-	2,609	2,609	-	878	878	
Depreciation	-	12,741	12,741	-	13,478	13,478	
Amortization	-	5,989	5,989	-	5,844	5,844	

Additional information on the number of employees and employee benefit expenses for the years ended December 31, 2020 and 2019 were as follow:

	2020	2019
Number of employees	<u>53</u>	<u>62</u>
Number of directors who were not employees	<u>3</u>	<u>3</u>
The average employee benefit	<u>\$ 1,489</u>	<u>1,554</u>
The average salaries and wages	<u>\$ 1,310</u>	<u>1,413</u>
Percentage change in average salary	<u>(7.29)%</u>	
Compensation to the supervisors	<u>\$ 10,128</u>	<u>6,940</u>

The Company's compensation policy (for directors, executives, and employees) is as follows:

- (i) The remuneration of the directors (included independent directors) is determined based on their engagement and performance provided for the management of the Company. The compensation is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.
- (ii) The compensation paid to the executive officers is evaluated and adjusted based on industry practice as well as their title, level, education, experiences, professional skills, job responsibility, and performance.
- (iii) Employee salary: Following the Company's starting salary and raise regulation, the Company also considers factors such as seniority and performance appraisal.

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

- (iv) Executive officers' and employees' bonus: The issuance of performance bonus is evaluated based on performance appraisal. The year-end bonus and employee compensation issued depending on the Company's operating condition as well as annual review of each employee.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Notes
													Item	Value			
0	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Teapo Electronic (HK) Ltd.	Other receivables	Yes	211,575	-	-	1.08%	2	-	Working capital	-	None	-	755,144	3,020,577	Note 8
1	TEAPO HOLDING BERMUDA LIMITED	Teapo Electronic (HK) Ltd.	Other receivables	Yes	78,970	61,543	61,543	2.4%	2	-	Working capital	-	None	-	1,547,548	1,547,548	Note 3
2	KAIMEI ELECTRONIC (HK) LTD.	SUZHOU KAIMEI ELECTRONIC CO., LTD.	Other receivables	Yes	21,133	-	-	4%	2	-	Working capital	-	None	-	367,267	1,469,068	Note 4
2	KAIMEI ELECTRONIC (HK) LTD.	Teapo Electronic (HK) Ltd.	Other receivables	Yes	108,337	106,800	106,800	-%	2	-	Working capital	-	None	-	3,672,671	3,672,671	Note 5
2	KAIMEI ELECTRONIC (HK) LTD.	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Other receivables	Yes	2,718,445	327,521	291,920	-%	2	-	Working capital	-	None	-	3,672,671	3,672,671	Note 5
3	MYW Investment Limited	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Other receivables	Yes	56,000	56,000	56,000	0.73%	2	-	Working capital	-	None	-	65,983	263,930	Note 9
4	GUANGZHOU CHENG HAN ELECTRONICS TEC	Yunnan Energy-Saving Technology Co., Ltd.	Other receivables	No	6,486	-	-	12%	2	-	Working capital	-	None	-	44,518	44,518	Note 7
5	DEYANG BOTHHAND ELECTRONICS CO., LTD.	DEYANG SHISHENG ELECTRONICS CO., LTD.	Other receivables	Yes	86,480	-	-	12%	2	-	Operating capital	-	None	-	149,540	149,540	Note 7
5	DEYANG BOTHHAND ELECTRONICS CO., LTD.	HONGYI ELECTRONICS CO., LTD.	Other receivables	Yes	25,944	-	-	12%	2	-	Working capital	-	None	-	149,540	149,540	#
5	DEYANG BOTHHAND ELECTRONICS CO., LTD.	Yunnan Energy-Saving Technology Co., Ltd.	Other receivables	No	8,600	4,377	4,377	12%	2	-	Working capital	-	None	-	149,540	149,540	Note 7
6	GUANGZHOU CHENG HAN ELECTRONICS CO., LTD.	GUANGZHOU CHENG HAN ELECTRONICS TEC	Other receivables	Yes	21,620	-	-	5.0025%	2	-	Working capital	-	None	-	105,531	105,531	Note 6

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

Note 1: The numbers denote the following:

1. "0" represents the Company
2. Subsidiaries are numbered starting from "1".

Note 2: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

Note3: The capital of TEAPO HOLDING BERMUDA LIMITED is lent to a foreign company in which the parent company directly or indirectly holds 100% of the voting shares, the separately lending amount and maximum limit shall not exceed 100% of the net value of the latest financial statements audited or reviewed by accountants of TEAPO HOLDING BERMUDA LIMITED.

Note4: The limit on total loans to others shall not exceed 40% of KAIMEI ELECTRONIC (HK) LTD.' s net value. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year. Limit on loans to a single party with short-term financing shall not exceed 10% of KAIMEI ELECTRONIC (HK) LTD.' s net value.

Note5: Inter-company loans of funds between KAIMEI ELECTRONIC (HK) LTD. and overseas companies in which the parent company holds, directly or indirectly, 100% of the voting shares, or loans of fund to the parent company, the total loans shall not exceed 100% of KAIMEI ELECTRONIC (HK) LTD.' s net value.

Note6: The limit on total loans to others shall not exceed 20% of the net value of the latest financial statements audited or reviewed by accountants of GUANGZHOU BOTHHAND ELECTRONICS CO., LTD., limit on loans to a single party shall not exceed 20% of the net value of the latest financial statements audited or reviewed by accountants of GUANGZHOU BOTHHAND ELECTRONICS CO., LTD..

Note7: The limit on total loans to others shall not exceed 20% of the net value of the latest financial statements audited or reviewed by accountants of GUANGZHOU CHENG HAN ELECTRONICS TEC and DEYANG BOTHHAND ELECTRONICS CO., LTD, limit on loans to a single party shall not exceed 20% of the net value of the latest financial statements audited or reviewed by accountants of GUANGZHOU CHENG HAN ELECTRONICS TEC and DEYANG BOTHHAND ELECTRONICS CO., LTD.

Note8: The limit on total loans to others is 40% of the net worth on the most current financial statements of KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.), limit on loans to a single party is 10% of the net worth on the most current financial statements of KAIMEI ELECTRONIC CORP.

Note9: The limit on total loans to others shall not exceed 40% of the net value of the latest financial statements audited or reviewed by accountants of MYW Investment Limited. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year. Limit on loans to a single party with short-term financing shall not exceed 10% of the net value of the latest financial statements audited or reviewed by accountants of MYW Investment Limited.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (note 2)										
0	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	TEAPO HOLDING BERMUDA LIMITED	2	11,327,166	453,750	-	-	-	- %	15,102,888	Y	N	N
1	KAIMEI ELECTRONIC (HK) LTD.	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	3	5,509,006	5,500,000	5,100,000	2,067,820	3,060,184	138.86%	5,509,006	N	Y	N
2	MYW Investment Limited	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	3	2,639,301	1,800,000	1,500,000	-	-	227.33%	2,639,301	N	Y	N
3	BOTHHAND ENTERPRISE INC.	Bothhand International Investment Co., Ltd.	2	751,682	29,980	-	-	-	- %	1,503,364	N	N	N
3	BOTHHAND ENTERPRISE INC.	Sino Win International Limited	2	751,682	29,980	-	-	-	- %	1,503,364	N	N	N
3	BOTHHAND ENTERPRISE INC.	E-HENG TECHNOLOGY CO., LTD.	2	751,682	30,000	-	-	-	- %	1,503,364	N	N	N

Note 1: The numbers denote the following:

1. 0 is issuer.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: The relationship between the endorser/guarantor and the guaranteed party:

1. The companies with which it has business relations.
2. Subsidiaries in which the company holds more than 50% of its total outstanding common shares.
3. The companies in which the parent company and the subsidiary together hold more than 50% of its outstanding common shares.
4. The parent company which holds, directly or indirectly through a subsidiary, more than 50% of its outstanding common shares.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by each capital contributing shareholder in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for preconstruction homes pursuant to the Consumer Protection Act for each other.

Note3: The calculation of the limitation on endorsements and the amount thereof:

- (1) The maximum amount of the Company's endorsement/guarantee for single enterprise is 150% of the net value of the latest financial statements audited or reviewed by accountants.
- (2) The maximum amount of the endorsement/guarantee of the Company is 200% of the net value of the latest financial statements audited or reviewed by accountants.
- (3) The limit of the endorsement guarantee for the parent company shall not exceed 400% of the net value of MYW Investment Limited.
- (4) The limit of the endorsement/guarantee for the parent company shall not exceed 150% of the net value of KAIMEI ELECTRONIC (HK) LTD.
- (5) The total amount of external endorsement/guarantee shall not exceed the net value of the latest financial statements audited or reviewed by accountants of BOTHHAND ENTERPRISE INC, and the external endorsement/guarantee for single enterprise shall not exceed 50% of the net value of the latest financial statements audited or reviewed by accountants.

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KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Stock							
	AGV PRODUCTS CORP	None	Current financial assets at fair value through profit or loss	13	-	-	-	
SUZHOU KAIMEI ELECTRONIC CO., LTD.	EVER FORTUNE INDUSTRIAL CO., LTD.	None	Current financial assets at fair value through profit or loss	643	-	-	-	
	Other financial instruments							
JINMICON ELECTRONIC (SHENZHEN) CO., LTD.	RMB-Structured Deposit	None	Current financial assets at fair value through profit or loss	-	44,003	-	44,003	
	Other financial instruments							
SHIN KAIMEI ELECTRONIC (SHENZHEN) CO., LTD.	RMB-Structured Deposit	None	Current financial assets at fair value through profit or loss	-	48,328	-	48,328	
	Other financial instruments							
Dongguan Teapo Trading CO., Ltd.	RMB-Structured Deposit	None	Current financial assets at fair value through profit or loss	-	79,083	-	79,083	
	Other financial instruments							
GUANGZHOU BOTHHAND ELECTRONICS CO., LTD.	RMB-Structured Deposit	None	Current financial assets at fair value through profit or loss	-	13,175	-	13,175	
	Other financial instruments							
DEYANG BOTHHAND ELECTRONICS CO., LTD.	RMB-Structured Deposit	None	Current financial assets at fair value through profit or loss	-	242,252	-	242,252	
	Other financial instruments							
Subtotal	RMB-Structured Deposit	None	Current financial assets at fair value through profit or loss	-	81,194	-	81,194	
	RMB-Structured Deposit	None	Current financial assets at fair value through profit or loss	-	218,924	-	218,924	
				726,959			726,959	

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
BOTHHAND ENTERPRISE INC.	Stock							
	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Parent	Current financial assets at fair value through other comprehensive income	1,364,575	124,995	1.00%	124,995	Notes 1 and 2
KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	TAIWAN CHINSAN ELECTRONIC INDUSTRIAL CO., LTD	None	Non-current financial assets at fair value through other comprehensive income	16,506,870	731,254	13.13%	731,254	Note 1

Note1: Listed securities are based on the closing price as of December 31, 2020.

Note2: All shareholdings have been treated as treasury shares.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares (note)	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	TAIWAN CHINSAN ELECTRONIC INDUSTRIAL CO., LTD	Non-current financial assets at fair value through other comprehensive income	Trading with non-specific people in the open market	NA	3,213,000	114,865	13,902,870	471,291	609,000	22,439	20,365	2,074	16,506,870	731,254

Note: 13,902,870 shares were added during the period, representing the purchase of 13,539 thousand shares during the current period and 363,870 thousand shares from TAIWAN CHINSAN ELECTRONIC INDUSTRIAL CO., LTD.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payable)	
JAMICON INTERNATIONAL LIMITED	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Parent	Sale	(777,915)	(97.18)%	Net 90 days from the end of months of when invoice issued	-	Depending on the demand on funding	Trade receivables 439,226	99.82%	
KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	JAMICON INTERNATIONAL LIMITED	Subsidiaries	Purchase	777,915	99.74%	Net 90 days from the end of months of when invoice received	-	-	Trade payables (439,226)	(73.31)%	

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/trade receivables (payable)	
Teapo Electronics (DongGuan) CO., LTD.	JAMICON INTERNATIONAL LIMITED	The same ultimate parent	Sale	(690,479)	(32.97)%	Net 90 days from the end of months of when invoice issued	-	-	Trade receivables 399,604	36.31%	
JAMICON INTERNATIONAL LIMITED	Teapo Electronics (DongGuan) CO., LTD.	The same ultimate parent	Purchase	690,479	89.48%	Net 90 days from the end of months of when invoice received	-	-	Trade payables (399,604)	(92.27)%	
DEYANG BOTHHAND ELECTRONICS CO., LTD.	BOTHHAND ENTERPRISE INC.	The same ultimate parent	Sale	(783,743)	(88.25)%	After the balance is set off against the trade payables, then the difference is settled by approximately 3 months	Negotiated price	For ordinary customer, payment is made approximately 30 to 120 days after the sales	Trade receivables 196,828	88.07%	
BOTHHAND ENTERPRISE INC.	DEYANG BOTHHAND ELECTRONICS CO., LTD.	The same ultimate parent	Purchase	783,743	62.67%	After the balance is set off against the trade payables, then the difference is settled by approximately 3 months	Negotiated price	For ordinary customer, payment is made approximately 30 to 120 days after the sales	Trade payables (196,828)	(79.28)%	
GUANGZHOU CHENG HAN ELECTRONICS TEC	BOTHHAND ENTERPRISE INC.	The same ultimate parent	Sale	(345,449)	(44.63)%	After the balance is set off against the trade payables, then the difference is settled by approximately 3 months	Negotiated price	For ordinary customer, payment is made approximately 30 to 120 days after the sales	Trade receivables 27,457	10.73%	
BOTHHAND ENTERPRISE INC.	GUANGZHOU CHENG HAN ELECTRONICS TEC	The same ultimate parent	Purchase	345,449	27.62%	After the balance is set off against the trade payables, then the difference is settled by approximately 3 months	Negotiated price	For ordinary customer, payment is made approximately 30 to 120 days after the sales	Trade payables (27,457)	(11.06)%	

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 4)	Allowance for bad debts	Note
					Amount	Action taken			
Teapo Electronic (HK) Ltd.	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Parent	Other receivables 143,008	Note 1	-		-	-	Note 3
Teapo Electronic (HK) Ltd.	Teapo Electronics (DongGuan) CO., LTD.	The same ultimate parent	Other receivables 278,021	Note 1	-		-	-	Note 3
Teapo Electronics (DongGuan) CO., LTD.	Teapo Electronic (HK) Ltd.	The same ultimate parent	Other receivables 297,634	Note 1	-		-	-	Note 3
Teapo Electronics (DongGuan) CO., LTD.	JAMICON INTERNATIONAL LIMITED	The same ultimate parent	Trade receivables 399,604	2.50	-		-	-	Note 3
JAMICON INTERNATIONAL LIMITED	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Parent	Trade receivables 439,226	2.63	-		-	-	Note 3
KAIMEI ELECTRONIC (HK) LTD.	Teapo Electronic (HK) Ltd.	The same ultimate parent	Other receivables 106,800	Note 2	-		-	-	Note 3
KAIMEI ELECTRONIC (HK) LTD.	KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	Parent	Other receivables 291,920	Note 2	-		163,760	-	Note 3
DEYANG BOTHHAND ELECTRONICS CO., LTD.	BOTHHAND ENTERPRISE INC.	The same ultimate parent	Trade receivables 196,828	9.48	-		-	-	Note 3

Note 1: Other receivables arising on behalf of payment are not applicable.

Note 2: Other receivables arising on loans are not applicable.

Note 3: The transaction has already been written off in the consolidated financial statement

Note 4: The amount represents collections subsequent to March 12, 2021.

(ix) Trading in derivative instruments: Please refer to consolidated financial statements note 6(b).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	TEAPO HOLDING BERMUDA LIMITED	Bermuda	Foreign business reinvestment			24,542,484	100.00%	1,547,548	190,399	190,399	Subsidiary
"	Teapo Electronic (HK) Ltd.	Hong Kong	Import and export of electronic products			10,000	100.00%	(49,315)	1,351	1,351	"
"	KAIMEI ELECTRONIC (HK) LTD.	Hong Kong	Import and sale of aluminum electrolytic capacitors and motor fans			25,000,000	100.00%	3,672,671	60,515	60,515	"
"	FORMOSAPRO SONICELECTRONICS SDN.BHD.	Malaysia	Manufacture and sale of aluminum electrolytic capacitors			13,245,440	100.00%	109,144	-	-	"

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)	JAMICON INTERNATIONAL LIMITED	Hong Kong	Import and sale of aluminum electrolytic capacitors			90,000,000	100.00%	258,816	32,380	32,380	Subsidiary
"	BOTHHAND ENTERPRISE INC.	Taiwan	Manufacture and management of computer accessories and other electronic devices			62,333,875	100.00%	2,114,830	181,360	181,751	"
"	MYW Investment Limited	Taiwan	Reinvestment business			-	100.00%	659,825	36,214	36,214	"
"	TONG HSING ELECTRONIC INDUSTRIES, LTD.	Taiwan	Manufacture and sale of electronic products			9,451,414	5.29%	1,651,747	1,450,675	88,483	Associate under equity method
MYW Investment Limited	TONG HSING ELECTRONIC INDUSTRIES, LTD.	Taiwan	Manufacture and sale of electronic products			3,777,579	2.11%	659,660	1,450,675	35,426	Associate under equity method
BOTHHAND ENTERPRISE INC.	Bothhand International Investment Co., Ltd	British Virgin Islands	Reinvestment business and international trade			1,000,000	100.00%	1,379,826	181,457	186,853	Subsidiary
"	Sino Win International Limited	Samoa	Import and export business	-		-	- %	-	(2,797)	(2,797)	"
"	E-HENG TECHNOLOGY CO., LTD.	Taiwan	Manufacture and management of computer accessories and other electronic devices			440,000	100.00%	11,574	13,552	10,057	"
Bothhand International Investment Co., Ltd	Round Constant Limited	Samoa	Reinvestment business			1,950,000	100.00%	7,135	(71)	(71)	"

(c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 10)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
Teapo Electronics (DongGuan) CO., LTD.	Manufacture and sale of capacitors	594,706	(1)	594,706 (USD18,500)	-	-	594,706	188,478	100.00%	188,478	1,473,936	-	
Dongguan Teapo Trading CO., Ltd.	Purchase and sale of electrolytic capacitors	7,076	(2)	-	-	-	-	101	100.00%	101	14,655	-	
SUZHOU KAIMEI ELECTRONIC CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors	462,990	(1)	446,416 (USD15,000)	-	-	446,416	19,776	98.81%	19,541	277,654	-	
JAMICON ELECTRONIC (SHENZHEN) LTD.	Manufacture and sale of electrolytic capacitors and motor fans	-	(1)	-	-	-	-	-	-%	-	-	-	Note 6

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 10)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
JINMICON ELECTRONIC (SHENZHEN) CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors	33,012	(1)	-	-	-	-	(31,958)	100.00%	(31,958)	39,862	-	
SHIN KAIMEI ELECTRONIC (SHENZHEN) CO., LTD.	Manufacture and sale of aluminum electrolytic capacitors	148,440	(1)	-	-	-	-	39,017	100.00%	39,017	69,791	-	
DONGGUAN JAMICON ELECTRONIC CO., LTD.	Import and sale of aluminum electrolytic capacitors and motor fans	2,331	(2)	-	-	-	-	(8,251)	100.00%	(8,251)	3,576	-	
Bothhand Enterprise (Guangzhou) Inc.	Manufacture and management of computer accessories and other electronic devices	-	(1)	21,638 (HDK5,764)	-	-	21,638 (HDK5,764)	-	-%	-	-	-	Note 5
KAIPING BOTHHAND ELECTRONICS CO., LTD.	Manufacture and management of computer accessories and other electronic devices	22,784 (USD800)	(1)	152,153 USD879 and HKD34,609)	-	-	152,153 USD879 and HKD34,609)	2,767	100.00%	2,767	98,585	390,795	
GUANGZHOU BOTHHAND ELECTRONICS CO., LTD.	Manufacture and management of computer accessories and other electronic devices	56,960 (CNY2,000)	(2)	27,853 (USD978)	-	-	27,853 (USD978)	65,248	100.00%	65,248	527,655	77,317	
DEYANG BOTHHAND ELECTRONICS CO., LTD.	Manufacture and management of computer accessories and other electronic devices	142,400 (CNY5,000)	(2)	-	-	-	-	102,184	100.00%	102,184	747,700	373,911	
Kunshan Taijun Electronics Co., Ltd.	Vacuum sputtering coating	340,336 (CNY11,950)	(2)	-	-	-	-	(71)	100.00%	(71)	7,135	-	
GUANGZHOU CHENG HAN ELECTRONICS TEC	Manufacture and management of computer accessories and other electronic devices	113,759 (CNY25,988)	(2)	-	-	-	-	65,992	100.00%	61,803	222,588	-	
DEYANG SHISHENG ELECTRONICS CO., LTD.	Manufacture and management of computer accessories and other electronic devices	(CNY5,000)	(2)	-	-	-	-	28,960	100.00%	24,892	93,358	-	
DEYANG HONGYI ELECTRONICS CO., LTD.	Manufacture and management of computer accessories and other electronic devices	131,321 (CNY30,000)	(2)	-	-	-	-	25,268	51.00%	15,724	90,383	-	
HUNAN BOTHHAND ELECTRONICS CO., LTD.	Manufacture and management of computer accessories and other electronic devices	43,774 (CNY10,000)	(2)	-	-	-	-	(1,874)	100.00%	(231)	35,675	-	

(Continued)

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)

Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 4 and 8)	Upper Limit on Investment (Note 3)
1,155,257 (USD35,357 and HKD40,373)	2,144,316 (USD75,292)	4,530,866

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.

Note 2: Invest company in mainland China through the investment on company located at the third.

Note 3: Investment limit of the Company to the mainland (60% of net equity) $\$7,551,444 \times 60\% = 4,530,866$.

Note 4: US\$1 = 28.48 at the balance sheet date. HKD\$1=3.673 and CNY\$1=4.377 translations.

Note 5: The liquidation of GUANGZHOU BOTHHAND ELECTRONICS CO.,LTD. had been completed in January 2011, but the remaining shares capital had not yet been remitted to Taiwan.

Note 6: The Group completed the sale of the subsidiary, JAMICON ELECTRONIC (SHENZHEN) LTD. in June 2018, but the shares capital had not yet been remitted to Taiwan.

Note 7: The amount accumulated from the initial investment to the current period.

Note 8: The authorized investment amount included the investment amount of BujiBantian Kaimei Motor Factory, JAMICON ELECTRONIC TECHNOLOGY (SHANGHAI) CO., LTD. · JAMICON ELECTRONIC (SHANGHAI) CO., LTD. and JAMICON (SHENZHEN) LTD. amounting to US\$3,731 thousand, since cash flow arising from disinvestment or donation had not been remitted.

Note 9: The Company merged with its domestic subsidiary, KAIMEI ELECTRONIC CORP., and the Company was the surviving company, while KAIMEI ELECTRONIC CORP. was the dissolved company being merged. The Company got approval of investment in mainland China from INVESTMENT COMMISSION in October 2019 to continue the investment of KAIMEI ELECTRONIC CORP.

Note 10: The base of recognition of investment income (loss) is the financial statement audited by CPA of the investee company.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" .

(d) Major shareholders:

(Unit: share)

Shareholder' s Name	Shareholding	Shares	Percentage
YAGEO CORPORATION		8,124,882	5.98%
Nomura International plc		7,497,800	5.51%

Note: (1) The table shows principal shareholders information, including shareholders holding more than 5% of the Company' s delivered uncertificated/cripless shares (including treasury shares), with ordinary shares and preference shares combined at the last operating date of each quarter. As a result of different basis of calculation, there may be inconsistency between share capital reported in the

KAIMEI ELECTRONIC CORP. (FORMERLY KNOWN AS TEAPO ELECTRONIC LTD.)**Notes to the Financial Statements**

financial statements and the actual awarded number of uncertificated/scripless shares.

- (2) For a situation where a shareholder entrusted the shareholdings, the individual account of the settlor opened by the trustee was disclosed. The shareholders' reported insider' s shares that exceeded 10% of the Company' s total capital in accordance with Securities and Exchange Act, including personal holdings, plus trusted shares with voting rights. Please refer to the Public Information Observatory for information on the reporting of insider' s shares.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended 2020.

**KAIMEI ELECTRONIC CORP. (formerly known
as Teapo Electronic Ltd.)**

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and petty cash		\$ 9,218
Demand deposits	NTD	14,727
	Foreign currency (USD 11,027 thousand dollars and others)	314,623
		<u>329,350</u>
Time deposits	Foreign currency (USD 7,500 thousand dollars, maturity date from March 9, 2021 to March 14, 2021)	<u>213,600</u>
		<u>\$ 552,168</u>

Note: The exchange rate :USD\$1= NTD\$28.48

Statement of trade receivables

<u>Client Name</u>	<u>Amount</u>
Trade receivable:	
Company A	\$ 46,736
Company B	12,867
Company C	12,256
Company D	12,189
Others (note 2)	<u>176,315</u>
Subtotal	260,363
Less: loss allowance	<u>(172)</u>
	<u>\$ 260,191</u>

Note: 1. All trade receivables arose from operating activities.

2. The balances not exceeding 5% of the total amount are not presented separately.

**KAIMEI ELECTRONIC CORP. (formerly known
as Teapo Electronic Ltd.)**

**Statement of financial assets measured at fair value
through other comprehensive income - non-current**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Increase		Decrease		Ending balance		Accumulated impairments loss	Collaterals or Pledged Assets	Note
	Shares/U nit	Fair value	Shares/Unit (note)	Amount	Shares/U nit	Amount	Shares/Un it	Fair value			
Taiwan Chinsan Electronic Industrial Co., Ltd.	3,213,000	\$ 114,865	13,902,870	471,291	609,000	22,439	16,506,870	731,254	-	Pledged 10,055,000 shares	
		<u>\$ 114,865</u>		<u>471,291</u>		<u>22,439</u>		<u>731,254</u>	<u>-</u>		

Note: Increase included purchase of 13,539,000 shares and share dividends of 363,870 shares.

**Statement of financial assets measured at amortized
cost - current**

Please refer to note 6(c).

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Increase (decrease)		Share of	Other	Ending balance			Fair value/	Collaterals	Note
	Shares	Amount	Shares	Amount	Profit (Loss)	comprehensive	Shares	Percentage	Amount	total net amount	or Pledged	
					of Investee	income (loss)					Assets	
TEAPO HOLDING BERMUDA LIMITED	24,542,484	\$ 1,335,706	-	-	190,399	21,443	24,542,484	100%	1,547,548	1,547,548	None	
Teapo Electronic (HK) Ltd.	10,000	(53,043)	-	-	1,351	2,377	10,000	100%	(49,315)	(49,315)	None	
MYW Investment Limited	-	553,607		71,534	36,214	(1,530)		100%	659,825	659,825	None	Note 1
KAIMEI ELECTRONIC (HK) LTD.	2,500,000	3,780,486		-	60,515	(168,330)	2,500,000	100%	3,672,671	3,672,671	None	
FORMOSA PROSONIC ELECTRONIC SDN. BHD.	13,245,440	113,058		-	-	(3,914)	13,245,440	100%	109,144	109,144	None	
JAMICON INTERNATIONAL LIMITED	90,000,000	220,795		-	32,380	5,641	90,000,000	100%	258,816	258,816	None	
BOTHHAND ENTERPRISE INC.	62,333,875	2,170,083		(245,777)	181,751	8,773	62,333,875	100%	2,114,830	2,114,830	None	Note 2
Tong Hsing Electronic Industries, Ltd.	12,444,882	1,293,391	(2,993,468)	273,703	88,483	(3,830)	9,451,414	5.29%	1,651,747	1,672,900	None	Notes 3 and 4
Less: credit balance of investments accounted for using equity method classified under other non-current liabilities		53,043							49,315	49,315		
		<u>\$ 9,467,126</u>		<u>99,460</u>	<u>591,093</u>	<u>(139,370)</u>			<u>10,014,581</u>	<u>10,035,734</u>		

- Note 1: Increase \$71,534 included capital reduction from investee \$59,030 and changing due from non-proportional investment in investee's increase in capital \$130,564.
- Note 2: Decrease \$245,777 included decreasing from cash dividend received \$249,336, increasing from changes in ownership interests in subsidiaries \$336, decreasing from difference between consideration and carrying amount of subsidiaries acquired or disposed \$3,599, increasing from capital reduction and cash dividends received from Company's share hold by subsidiaries recognized treasury share \$5,848 and \$974,
- Note 3: Increase \$273,703 included increasing from purchasing \$6,053, decreasing from capital reduction \$30,585, decreasing from cash dividends received \$30,585 and decreasing from changing in equity of associates and joint ventures accounted for using equity method \$328,820.
- Note 4: The unit price is calculated by the closing price of the Taiwan Stock Exchange as of December 31, 2020.

KAIMEI ELECTRONIC CORP. (formerly known as Teapo Electronic Ltd.)

Statement of changes in property, plant and equipment

For the year ended December 31, 2020

Please refer to note 6(f).

Statement of short-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Type of loan	Bank	Ending		Range of interest rates	Loan commitment		Collaterals
		balance	Term of contract		Assets		
Credit loans	Taipei Fubon Commercial Bank CO., Ltd.	\$ 600,000	2020.12.21-2021.01.21	0.78%	TWD	600,000	None
Secured bank loans	"	478,000	2020.12.16-2021.01.15	0.73%	TWD	1,000,000	Restricted time deposits
Secured bank loans	Bank SinoPac	188,000	2020.12.07-2021.02.05	0.793%	TWD	2,500,000	Restricted time deposits
Credit loans	Taishin International Bank CO., Ltd.	350,000	2020.12.16-2021.01.15	0.78%	TWD	350,000	None
Secured bank loans	"	1,401,820	2020.12.16-2021.01.15	0.78%	TWD	1,600,000	Restricted time deposits
Credit loans	Shin Kong Bank	200,000	2020.12.09~2021.02.09	0.78%	TWD	200,000	None
Secured bank loans	CTBC Bank	200,000	2020.12.30-2021.01.29	0.75%	TWD	200,000	Financial assets at fair value through other comprehensive income
		<hr/>					
		\$ 3,417,820					

**KAIMEI ELECTRONIC CORP. (formerly known
as Teapo Electronic Ltd.)**

Statement of trade payables

December 31, 2020

Please refer to note 7(b)(iv).

Statement of operating revenue

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity (thousand units)</u>	<u>Amount</u>
Capacitor	587,824	\$ 674,595
Fan	4,474	248,522
Others	244	<u>3,066</u>
Total		<u>\$ 926,183</u>

**KAIMEI ELECTRONIC CORP. (formerly known
as Teapo Electronic Ltd.)**

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Inventories, beginning of the year	\$ 10,139
Purchases	776,009
Less: Inventories, end of the year	6,353
Cost of goods sold	779,795
Inventory write-downs and obsolescence loss reversal	(421)
Operating costs	\$ 779,374

Statement of operating expense

Item	Selling expense	Administrative expenses	Research and development expenses
Employee benefits	\$ 21,754	65,534	1,581
Depreciation and amortization	194	18,156	380
Commission fee	4,865		-
Maintenance fee	85	6,700	-
Research expenses	-		1,336
Others (note)	6,039	23,507	170
	\$ 32,937	113,897	3,467

Note: the amounts not exceeding 5% of total operating expenses are not presented separately.

Statement of non-operating income and loss

Please refer to note 6(q).